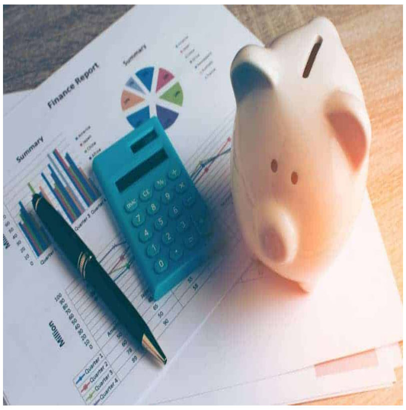

The 1 Reason to Put This Stock in Your TFSA

Description

There are two kinds of stocks you want to put in your TFSA.

The first is steady dividend payers like **Fortis**, which has increased its annual dividend for 45 consecutive years and then there are growth companies like **Kinaxis** that are making lots of money and growing nicely.

And then there are companies like **Morneau Shepell** (TSX:MSI) that falls somewhere between the two making it the perfect candidate for your TFSA.

It's got a good yield

Compared to Fortis, which is yielding almost 4%, the HR and benefits stock seems rather pedestrian at 2.9%. However, compared to Kinaxis, which *doesn't* pay a dividend, it's not half bad. In 2017, Morneau Shepell paid out approximately 58% of its normalized earnings, leaving plenty for debt repayment, acquisitions, share repurchases, etc.

Morneau Shepell's dividend gets paid monthly, so it also makes sense for income investors looking for a steady paycheque while benefiting from the dividend tax credit.

Either way, Morneau Shepell's dividend yield is right in the sweet spot for most investors around the 3% mark.

Long-term performance second to none

As I stated in my November article about the company, it's delivered consistent returns over a long period, the hallmark of a great stock.

"It has an annualized total return of 14.8% over the past decade, 635 basis points higher than the **S&P/TSX Composite Index**," I wrote November 20. "It's been so consistent; it hasn't had a down year since 2015. Before that, you have to go back to 2008."

In Morneau Shepell's November 2018 presentation, the company points out that it's delivered a compound annual return of 20.1% over the past five years through September 30, 2018, more than double the TSX and the **S&P Low Volatility Index**, a tribute to how safe an investment in MSI stock has been in recent years.

Following the trends

Morneau Shepell operates in the professional services industry. The industry is growing by 13% annually in Canada. Perhaps you've followed **Ceridian HCM Holding**, the Minneapolis-headquartered provider of cloud-based human capital management software that's operated out of Toronto by CEO David Ossip.

The company went public in April 2018 at $22 a share; shares are currently around $49. That's how hot HR is these days.

Morneau Shepell got its start in benefit and actuarial consulting way back in 1966. Most people have heard of it because of Bill Morneau, Canada's finance minister, who ran the family business from 1990 until his resignation in 2015.

However, it is the company's work in employee-assistance programs that drives a significant portion of its annual revenue. In 2017, Morneau Shepell generated 47% of its revenue from its Well-Being operating segment, with its retirement, health, and benefit consulting business accounting for just 15% of sales.

Mental health has become a serious issue in the workplace. Anything companies like Morneau Shepell can do to help employees remain productive is good for everyone involved, most especially company shareholders.

The bottom line on Morneau Shepell stock

It's probably the least-known TSX stock to have delivered 20%-plus annual returns over the past five years.

Anytime MSI stock falls below $25; investors ought to back up the truck, because it's a keeper inside and outside your TFSA.

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