Two Cheap but Excellent Dividend Stocks to Buy for Your TSFA

Description

Those looking to grow their money tax-free can rejoice: the TSFA limit increased to $6000 this year. If you want to fully benefit from your TSFA, choosing good dividend paying stock could help you. Let's look at two little-known but excellent dividend stocks to add to your TSFA.

Extendicare

As the elderly population continues to grow, so will the need for healthcare facilities designed specifically for seniors. The latest Canadian census – conducted in 2016 – revealed that seniors outnumber children in Canada for the first time in the history of the country. The number of people over 65 increased by 20% between 2011 and 2016. This trend is projected to continue, with the share of seniors reaching 23% by 2031.

For a company well positioned to take full advantage of this trend, look no further than **Extendicare** (TSX:EXE). The Toronto-based firm promises to deliver growing dividends for years to come. EXE is *the* largest private-sector home healthcare provider in Canada. This segment generally makes up about 35% of the company's earnings.

Over 90% of EXE's home healthcare revenue is from government contracts, which means that these revenues are stable and secure. The company acquired Revera Home Health Business from **Revera Inc**. in 2015. This acquisition was set to double EXE's number of hours of service and its home healthcare revenue. EXE has yet to fully benefit from this high-profile acquisition.

EXE is also trying to improve its retirement living portfolio, which typically accounts for about 5% of the company's revenue. In April of last year, EXE completed the acquisition of Lynde Creek Retirement Community, a retirement living community located in Whitby, Ontario.

The community's manor consists of 93 suites and is 100% occupied. EXE continues to demonstrate its willingness to increase its revenue base. Many of these initiatives may not have an immediate impact on the company's earnings, but they will affect EXE's bottom line in the long run.

EXE currently offers an attractive 6.6% dividend yield and the company's stock is worth under $10 at the time of writing.

Medical Facilities Corporation

Medical Facilities Corporation (TSX:DR) also provides healthcare services, but the company's focus is more general than EXE. DR offers several hospitals and ambulatory surgery centers in the Midwest of the U.S., as well as in California and Pennsylvania.

DR strives to set itself apart from traditional hospitals. One of the company's main goal is to achieve a high level of operating efficiency, which is not something for which large healthcare providers are known. Consider, for instance, DR's ambulatory surgery centers. These centers offer scheduled surgical procedures, and patients typically stay for less than 24 hours.

DR's primarily seeks to grow its earnings by increasing its operating efficiency and completing strategic acquisitions. The company's latest acquisition happened in February of last year. In a joint venture with **NueHealth**, DR acquired seven ambulatory surgical centers. DR owns 94.25% of the joint venture.

DR is an exceptional stock for income investors. The company distributes most of its free cash flows as dividends (an average of 76% over the past year). DR issues dividend payouts every month. The company currently has a dividend yield of 6.8% and boasts a robust share repurchase plan.

DR's stock is valued at $16.68 at the time of writing.

The bottom line

Both Extendicare and Medical Facilities offer a great combination of low price, a high dividend yield, sustainable dividend growth, and a strong business outlook. You can buy and hold these income-generating stocks for years to come.

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TICKERS GLOBAL

1. TSX:DR (Medical Facilities Corporation)
2. TSX:EXE (Extendicare Inc.)

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