TFSA Investors: 3 Dividend Stocks to Buy on Sale

Description

A new year means you can contribute additional money into your TSFA. For 2019, the contribution limit is $6,000.

Since you'll never have to pay any taxes on the money you are making in your TFSA, you should try your best to maximize its potential. Buying cheap stocks that pay high dividends is a good way to do so. All the juicy dividends you'll receive and the capital appreciation you'll get from the stock price will be entirely free of taxes.

NFI Group (TSX:NFI), **Russel Metals** (TSX:RUS) and **Exchange Income Corporation** (TSX:EIF) are three stocks that are very cheap and that pay high dividends, making them good choices for your TFSA. Let's look at these stocks in more detail.

NFI Group

NFI Group is North America's largest bus manufacturer. After reaching an all-time high of $60.50 in March 2018, shares started to drop and are now trading near $35, the price they were at in April 2016. I believe this plunge is a great opportunity to buy some shares of this bus manufacturer.

NFI's stock is currently very cheap with a P/E of 7.9. This is much lower than its five-year average P/E of 19.7. Moreover, its five-year PEG is only 0.29, so the stock is also a great bargain relative to its future growth. Earnings are expected to grow by more than 30% per year on average for the next five years, which is a strong growth rate.

Such an earnings growth will allow the company to increase its dividend safely. The dividend paid is already generous, yielding 4.5%. So, buy some shares before the market recognizes NFI value!

Russel Metals

Russel Metals is one of North America's largest metals distribution and processing companies. The stock had a rough time in 2018, sliding 22%, but is now up more than 7% year-to-date. However, this stock is very volatile, so if you don't like risk, this might not be a good stock for you.

If you like taking some risks, however, you could be well rewarded with this stock. Indeed, Russel is currently very cheap, trading at a P/E of only 7.1, while its five-year average P/E is 16.3. And its five-year PEG is only 0.13, so Russel is also very cheap regarding its high future growth.

Indeed, earnings are expected to grow by almost 50% on average per year over the next five years, which is very high. So, there is room for dividend increases. The dividend currently has a high yield of 6.7%.

In summary, by buying Russel, you get a high dividend and high expected growth for a low price. Be ready to tolerate some volatility, however.

Exchange Income Corporation

Exchange Income is a diversified company that's making acquisitions in different fields, with a focus on aerospace and aviation services and equipment, as well as manufacturing. The company aims to invest in profitable, well-established companies with strong cash flows operating in niche markets.

After reaching an all-time high of $44.76 in December 2016, shares started to drop and are now trading near $30, a price they were trading at in April 2016. The stock is now pretty cheap, with a P/E of 13.2 compared to a five-year average of 73.4. With a PEG of 1.06, it's also rather cheap relative to its future growth,

One of the company's objectives is to provide shareholders with stable and growing dividends. This objective has been reached, as Exchange Income has increased its dividend 12 times since 2004.

The dividend is paid monthly, which is interesting if you need regular income. The dividend amounts to $2.19 per share annually, for a high yield of 7.6% at the current stock price.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)
2. TSX:NFI (NFI Group)
3. TSX:RUS (Russel Metals)

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