



TFSA Investors: 3 Fantastic Dividend Stocks Yielding up to 8.2%

Description

Accumulating a [\\$1 million \(or more!\) TFSA isn't rocket science](#).

In fact, it's quite simple. All you need to do is consistently max out your contributions and put that money to work in Canada's best stocks. After that, all it takes is time. You'll eventually get there.

For rookie investors, the issue becomes choosing those stocks in the first place. It seems like every company has a compelling buy story. How can the average Joe tell the difference between a great stock and one that's nothing more than hype?

We can help. Here are three fantastic stocks for your TFSA — shares that each pay generous dividends.

Genworth

Let's start with **Genworth MI Canada** (TSX:MIC), which competes in a niche part of the insurance industry. Genworth provides mortgage default insurance that protects banks when the underlying borrower stops paying their mortgage. Many Canadians have insurance policies with Genworth and don't even know it.

Mortgage default insurance is a fantastic business. The insurer pockets as much as 4% of the value of the underlying loan, even though historic default rates are a fraction of that amount. It can then invest the cash, earning a further return on that capital. Even when the borrower defaults, there's a house to sell.

Some naysayers say Genworth will suffer irreparable damage if the Toronto and Vancouver real estate markets tank, but I disagree entirely. Genworth has been writing insurance on these markets for well over a decade now. The majority of its portfolio is well protected from short-term price declines. And I don't believe the current slowdown will lead to a big crash. The company will do just fine in a tepid real estate market.

Genworth has quietly become one of Canada's top dividend-growth stocks. It has consistently raised its dividend since introducing one in 2009 and has periodically paid special dividends, too. The current yield is 4.6%.

Algonquin

Algonquin Power and Utilities ([TSX:AQN](#))([NYSE:AQN](#)) has become many investors' favourite utility stock because it has diverse operations and loads of growth potential.

Let's start with the operations. Algonquin has two divisions. One provides power, natural gas, and water services to approximately 750,000 customers in the United States. The company's other division owns power plants — assets that are located across Canada and the U.S.

Both of these divisions have significant growth potential. Algonquin recently announced it was acquiring a natural gas utility in New Brunswick, which is a perfect example of what it's looking to buy. Look for more of these small acquisitions in the future. And remember, there's massive opportunity to replace aging coal-fired power plants with greener alternatives across the United States.

Like Genworth, Algonquin has a fantastic dividend-growth history. It has raised its payout each year since 2009. The current yield is 4.5%.

Automotive Properties

Many real estate investment trusts (REITs) don't have much growth potential. They might buy a few buildings a year, but it doesn't do much to boost the bottom line in a meaningful way.

Automotive Properties REIT ([TSX:APR.UN](#)) is different. The company buys car dealerships and then signs a long-term lease with an operator who covers all the usual costs. All the REIT has to do is sit back and collect its rent.

Canada's automotive dealership sector is in the early innings of a gigantic consolidation. Some 2,000 dealerships across the country are owned by individual owners. Many are baby boomers who'd like to retire. There are several large dealership groups that are buying up these locations and flipping the real estate back to Automotive Properties. It's a win-win. The dealership group can conserve capital while Automotive Properties gets an attractive return on investment.

Automotive Properties had its IPO in July 2015. Back then it owned 26 properties. It has made significant acquisitions since then, upping its portfolio to 45 different locations. Gross leasable area has increased by 70% since the IPO. That's impressive growth with plenty more on the way.

In the meantime, investors get to collect one of the best dividends out there. The trust pays out \$0.80 per share annually — good enough for a 7.9% yield.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
3. TSX:AQN (Algonquin Power & Utilities Corp.)

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