Retirees: 3 Top Dividend Growth Stocks for Your TFSA

Description

Canadian retirees are searching for ways to boost returns on their TFSA savings.

The additional $6,000 in contribution room for 2019 has expanded the TFSA contribution limit to $63,500, which is large enough that investors can generate some decent tax-free income from a basket of top dividend stocks.

Let's take a look at three companies that might be attractive picks for a TFSA income portfolio right now.

Toronto Dominion Bank (TSX:TD)(NYSE:TD)

TD raised its dividend by more than 11% last year, which is pretty much in line with the compound annual growth rate for the past two decades, and investors should see the strong trend continue.

TD is broadly viewed as being the safest stock among the big Canadian banks due to its heavy focus on retail banking operations. In addition, the bank has limited direct exposure to the Canadian energy sector and its mortgage portfolio, while large, is capable of riding out a potential rough patch in the Canadian housing market.

A big acquisition in the Canadian wealth management sector recently beefed up TD's capabilities and scale on that side of the business.

TD's U.S. operations now accounts for more than 30% of total profits, providing a nice balance to the revenue income stream. Lower corporate taxes and higher net interest margins helped the U.S. group generate strong numbers in fiscal 2018, and 2019 should deliver solid results, as well.

TD's current dividend provides a yield of 3.6%.

BCE (TSX:BCE)(NYSE:BCE)

BCE just reported Q4 2018 earnings that came in above analysts' expectations. Wireline revenue growth had its best quarter in a decade as the division added 66,000 total net Internet and IPTV customers. On the wireless side, total operating revenue increased 4.6% in the quarter and gained 6.3% for the full year compared to 2017.

BCE is raising its dividend by 5% to an annualized payout of $3.17 per share. Based on the current stock price, investors who buy today will pick up a solid 5.5% dividend yield. The company is targeting adjusted EBITDA growth of 5-7% and free cash flow growth of 7-12% for 2019.

If you want steady and reliable above-average dividends, BCE is tough to beat for an income portfolio.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis provides homeowners and businesses with natural gas and electricity. The operations are primarily located in Canada and the United States, with additional assets in the Caribbean.

Fortis grows through organic investments and strategic acquisitions. The last two takeovers involved big purchases in the United States and both deals have worked out well.

Additional tuck-in purchases could be on the way, but the near-term focus is on the five-year $17.3 billion capital program.

Management is forecasting annual dividend growth of 6% through 2023. Given that the company has increased the payout for 45 straight years, investors should be comfortable with the guidance.

The existing dividend provides a yield of 3.8%.

The bottom line

TD, BCE, and Fortis are proven dividend growth stocks that should be solid buy-and-hold picks for an income-focused TFSA. An equal investment in the three companies would provide an average yield of better than 4%.

Other opportunities are worth watching in the coming year.

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1. Bank Stocks
2. Dividend Stocks
3. Investing

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