This Stock Could Fill Your TFSA With Income for Life

Description

The prospect of income for life is one that many investors find appealing. Sure, there are big profits to be had by actively trading. But pick a dividend stock with a high yield, growing earnings, and a solid track record of dividend increases, and you can get paid for life without spending too much time trading. Right now, the TSX abounds with dividend stocks that can pay you $30,000-40,000 annually with a $1 million TFSA — and many of them increase their dividend every single year. But if you're not content with a 3-4% yield, there are solid stocks yielding north of that range that can pay you even more.

To be completely up front: the higher a stock's yield is, the greater the odds that it's unsustainable. I'd advise you to put on your skeptic glasses when you look at a stock whose yield is nearing 10%. But there are many stocks yielding around 5% that have the fundamentals to back it up. One of them is an insurance company that's currently among the cheapest stocks in the land.

Genworth MI Canada (TSX:MIC)

Genworth MI Canada is the partially owned Canadian subsidiary of **Genworth Financial**. Like its half-parent, it's an insurance company; however, Genworth focuses more on mortgage insurance than life insurance. In its most recent quarter, net income was down 8%; however, operating income was up 8%, and the company's annual earnings have grown every single year since 2013. Net income grew from $375 million in 2013 to $528 million in 2017.

A growing industry with economics on its side

One of the reasons Genworth has been able to grow its earnings every year is because it's in a great industry. Insurance is a sector that grows with the broader economy, and the Canadian economy is currently growing at a healthy 2.9% per year. This is reflected in the company's premiums earned, which grew from $573 million in 2013 to $676 million in 2017.

Absurdly cheap

Genworth is easily one of the cheapest stocks on the TSX. Based on its earnings for the trailing 12-month period, the company had a P/E ratio of just 8.22 — despite having a 58% profit margin and modest earnings growth. The company's diluted EPS slide in Q3 probably accounts for the low price, but remember: that was just one off quarter in a generally positive earnings trend.

Beautiful dividends

Finally, we get to Genworth's most attractive feature: its dividend. Although Genworth doesn't have the fastest earnings growth or the highest historical returns, it does have dividend income in spades. First off, its yield of 4.45% (as of this writing) is above average for the TSX. Second, Genworth has a long-term history of raising its dividend, often by about 9% a year. Finally, this stock has a very low payout ratio of 33%, so it has room to increase the dividend, even if earnings growth is low.

All in all, Genworth is one of the best income generators on the TSX.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/09/19
Date Created
2019/02/08
Author
andrewbutton