Attention Pensioners: 3 Dividend Growth Stocks to Add to Your TFSA

Description

Canadian retirees are searching for top-quality stocks to put in their self-directed TFSA income fund.

The strategy makes sense, as all the distributions and potential capital gains can go straight into your pocket, and the income does not count toward possible clawbacks in retirement payments coming from government plans, such as Old Age Security.

Let's take a look at three stocks that might be interesting picks for an income-focused TFSA portfolio.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis started out as a small utility in eastern Canada, but has grown to become a major player in the industry in Canada, the United States and the Caribbean with $50 billion in assets spread out across natural gas distribution, power generation, and electric transmission sectors.

The majority of the company's revenue comes from regulated assets, meaning that cash flow tends to be reliable and reasonably predictable. That's an attractive feature for dividend investors.

Fortis continues to grow through strategic acquisitions and organic developments. The current $17.3 billion capital program is expected to significantly increase the rate base in the next five years and support average annual dividend increases of 6% over that timeframe.

Investors have received a dividend hike for the past 45 consecutive years. The current payout provides a yield of 3.75%.

Bank of Montreal (TSX:BMO) (NYSE:BMO)

Bank of Montreal paid its first dividend in 1829 and investors have received a payout every year since. That's a pretty good track record and investors should see ongoing solid results from the bank.

Bank of Montreal's U.S. operations offer investors good exposure to the American economy and provide a nice hedge against any potential downturn in Canada. The bank also has a balanced revenue stream coming from personal and commercial banking, wealth management, and capital markets activities.

On the risk front, the bank's Canadian residential mortgage exposure is lower than some of its peers. A meltdown isn't expected in the housing market, but cracks have started to emerge in certain regions, so Bank of Montreal might be the way to go if you're searching for a bank stock right now.

The existing dividend provides a yield of 3.9%.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge operates the planet's largest crude oil and liquids transportation network with pipelines connecting suppliers and customers across Canada and throughout the United States. The company is also Canada's biggest distributor of natural gas to homes and businesses. Renewable energy assets with total capacity of 1,750 MW round out the portfolio.

Enbridge found buyers for roughly $8 billion in non-core assets last year and brought a number of subsidiaries in house as part of a strategic shift to be more focused on regulated assets and simplify the company structure. The market likes what it sees and the stock should continue to see support through the end of 2018 and beyond.

Enbridge increased the dividend by 10% in 2019, and another 10% hike is on tap for next year. The existing payout provides a yield of 6%.

The bottom line

Fortis, Bank of Montreal, and Enbridge should all be reliable buy-and-hold picks for an income-focused TFSA dividend portfolio.

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aswalker