



What Makes a Stock a Perfect Buy for Your TFSA?

Description

Investing through the [Tax-Free Savings Account](#) (TFSA) is a great way for small investors to gradually grow their retirement income.

By investing through TFSAs, you don't have to pay any tax on your capital gains at the time of withdrawal. You're also free to dip into this account during emergencies. These withdrawals don't reduce your limit.

Once you have decided to invest through your TFSA, the next step is to pick stocks that pay dividends and hike them regularly. These dividend-paying companies are usually run very solid businesses that generate strong cash flows.

One of the biggest priorities of the management of such companies is to return a major portion of cash back to investors. Large infrastructure providers, power and gas utilities, and consumer staple companies fall under this category.

Two TFSA stocks

One good company to demonstrate this phenomenon is the Toronto-based **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). The company owns and operates utilities, transport, energy, and communications infrastructure companies globally, with over US\$30 billion assets spanning five continents.

The company manages utilities and power transmission system in North and South America, 37 ports in North America, the U.K, Australia and Europe, approximately 3,800 kilometres of toll roads in South America and India, with large rail operations in Australia and South America.

Backed by these cash-generating assets, [BIP has been able to grow](#) its dividend regularly, delivering a handsome return to its investors. BIP has a stated goal of delivering an annual distribution growth between 5% and 9%. During the past five years, it has exceeded its own target, with a compound annual growth rate of more than 10%.

If you look south of the border, there are many solid dividend payers that you can keep in your TFSA portfolio. One of my favourites is **Procter & Gamble** (NYSE:PG). Helped by fast-selling products, such as Dawn dish soap and Pampers, the world's largest consumer product company pays dividends consistently.

That's the reason that it has hiked its dividend for 62 consecutive years. Over the past 128 years, it's never stopped paying dividends, making money during recessions, wars and droughts.

Another big advantage of keeping P&G in your TFSA is that this stock is recession-proof. During the times of extreme volatility, when highly cyclical growth stocks suffer the most, slow-moving consumer staples stocks outperform.

Bottom line

Buying stocks, such as BIP and P&G, is a proven way to gradually build your savings. Buying and holding these dividend growth stocks in your TFSA can slowly build your nest egg and prepare for your golden years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:PG (The Procter & Gamble Company)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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