TFSA Investors: 3 Dividend Stocks Paying More Than 6%

Description

Dividend stocks are a great option for TFSAs since the income earned on eligible investments is tax-free and can give your portfolio a big boost, especially over the long term. Below are three stocks that are undervalued that could provide not only good dividend income, but a lot of potential upside as well.

Enbridge Inc (TSX:ENB)(NYSE:ENB) is a solid, blue-chip stock that's currently paying over 6% per year. The main reason for the stock paying that high of a yield is simply due to Enbridge' struggling share price. The stock has been in a downturn for the past few years, and while it has recovered a little in the past year, it's still not as strong as it was back in 2017 when it generally had good support at $50 a share.

Problems with its Line 3 pipeline and other issues in the industry have unfortunately kept investors bearish on Enbridge and similar stocks. Even though the company has been able to generate nearly $3 billion in profits over the past four quarters, it simply hasn't been enough to convince investors to create much of a rally.

For investors willing to take on some risk, Enbridge could be a steal of a deal. The company recently raised its payouts and it could be a great time to lock in a high yield.

Laurentian Bank (TSX:LB) is another good value buy, as the dividend stock is trading well below its book value and at an earnings multiple of just nine. Like Enbridge, Laurentian's struggling share price has been a key reason that its dividend is so high, as it's dropped 14% in the past year.

Its most recent quarter didn't help, unfortunately, as the company's reported net income was down from the prior year from the company's softer sales. However, the company still has solid fundamentals with profits in each of the past five quarters.

Its dividend currently pays investors over 6.2% per year with a good track record of increasing its payouts. Since 2014, when dividend payments were just 51 cents, the company has hiked payouts to 65 cents most recently for an increase of 27% and a compounded annual growth rate of 5%.

With lots of value and a good dividend, Laurentian could be a good fit for most portfolios.

TransAlta Renewables Inc (TSX:RNW) has been on a much stronger trajectory than the other two stocks on this list, rising 9% over the past year. However, even despite the increase in price, TransAlta is still paying investors the highest yield on this list at – 7.2%. Given the patience that investors will require to own this stock, a higher dividend might be appropriate for TransAlta to help entice investors to stick around.

While the stock has generated a positive net income number in four of the past five years, sales growth has been modest at best. Although sales were up 13% in the company's most recent quarter, total revenues were flat for the full year. Despite the growing demand for renewable energy, there hasn't been enough momentum to boost TransAlta's revenues or its stock price.

However, that might make the stock a good buy today, as it's only trading at 1.4 times book value and a multiple of 14 times its earnings.

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:RNW (TransAlta Renewables)

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