TFSA Investors: 2 Top Dividend Stocks to Buy Now

Description

If you're in the market to build a steady flow of income through your Tax-Free Savings Account (TFSA), investing in dividend-growth stocks such as **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) or **BCE Inc** (TSX:BCE(NYSE:BCE) is an effective way to achieve that goal.

The reason I like these two companies is that they generate solid recurring revenues that grow over time and help these companies to hike payouts. This is a winning combination for TFSA investors, who are in no hurry to cash in their investments.

Regular dividend increases also show that the management is in control of the company's financial destiny with the ability to predict the future. It would look very unprofessional and damaging for a management team to hike dividends only to cut them after a couple of quarters.

Let's first discuss the investment case of Restaurant Brands. The global food chain that owns Tim Hortons, Burger King and Popeyes Louisiana Kitchen is on a solid growth path. Same-store sales at Tim Hortons' Canadian restaurants rose 2.2% in the fourth quarter fueled by new menu offerings and improved marketing.

Restaurant Brands' other businesses are also expanding. In 2018, the number of Burger King's store count rose by 6% and Popeyes' saw 7.3% growth in the number of stores. With this growth momentum, the company is also accelerating its cash payments to investors, which holds great attraction for TFSA investors. In the past quarter, Restaurant Brands hiked its dividend by 11% to $2.67 a share annually.

With this growth and payout potential, I see Restaurant Brands a good candidate for your TFSA portfolio.

BCE — a solid dividend stock for TFSA

Just like food chains, telecom utilities also offer a good potential to earn dividend growth. In Canada, BCE is one such stock that's been rewarding its investors for decades. The company runs Canada's largest telecom network with an expanding wireless division.

BCE has made the right bets in the past five years, positioning the company to produce better returns for shareholders. Among the few measures that will fuel future growth is its investment worth billions of dollars on its fibre-optic network to support faster internet speeds and prepare the utility to offer 5G: the next generation of wireless network technology.

BCE has long maintained a policy of increasing its dividend by 5% annually and has used a series of acquisitions to partly fuel the cash flow growth necessary to keep boosting the payout. Its latest acquisition of Manitoba Telecom Services in 2017 was one such move that began to improve both top- and bottom-line profitability.

BCE generally distributes between 65% and 75% of its free cash flow in payouts. In line with this policy, BCE has increased its annual payout by 107% since the fourth quarter of 2008; the payout is now at $3.17 per share.

Bottom line

TFSA investors should focus on income-generating stocks with a long-term investment horizon. By investing in dividend growth stocks such as QSR and BCE, you can slowly build your wealth to use during your golden years.

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