Attention Dividend Investors: 2 TSX Index Heavyweights to Boost Your TFSA Returns

Description

Canadians are searching for ways to boost the returns they get on their hard-earned savings.

Where should they put their money?

Dividend stocks went out of favour last year amid fears that rising interest rates would boost borrowing costs and drive down cash flow available for distributions. In addition, rising rates make the returns investors can get from bonds or GICs more attractive, with less or no risk. As a result, a flood of money left many of Canada's traditional go-to dividend payers in anticipation of an extended flight of capital out of these companies.

In hindsight, the market got well ahead of itself. Recent weak economic data and mood shifts by the Bank of Canada and the U.S. Federal Reserve have resulted in a plunge in bond yields. The juicy GICs that were being offered with rates as high as 3.5% last fall are now down to 2.5%.

With analysts suddenly calling for potential rate cuts later this year or in 2020, the market is once again bullish on dividend plays.

Let's take a look at two companies that deserve to be on your dividend radar.

TransCanada (TSX:TRP)(NYSE:TRP)

TransCanada is changing its name to TC Energy to better reflect its business operations. The company is a giant in the North American energy infrastructure segment with oil, natural gas, and gas liquids pipelines in Canada, the United States, and Mexico. TransCanada also has power generation assets and gas storage facilities.

The company has a huge development portfolio, with $36 billion in secured capital projects through 2023. As the new assets are completed and go into service, TransCanada expects cash flow to increase enough to support annual dividend growth of at least 8% over the next two years.

At the time of writing, the stock provides a yield of 4.5%.

BCE (TSX:BCE)(NYSE:BCE)

BCE continues to strengthen its competitive moat through the expansion of its fibre-to-the premises network infrastructure. This gives Canadian businesses and homeowners the broadband they crave and protects BCE's customer base while providing the company with an opportunity to offer additional products and services at even higher rates.

The media division is holding its own and helps feed growth in the wireless and wire line operations. In addition, the cozy nature of the Canadian communications market ensures that BCE has the power to raise prices when it needs some extra cash.

The company is targeting decent free cash flow growth this year, which should support another dividend hike in 2020. The board raised the payout by 5% for 2019. BCE's current dividend provides a yield of 5.3%.

As with the banks, you can't avoid the rising service charges or fees, so you might as well benefit as a part owner of the business.

The bottom line

TransCanada and BCE are top-quality businesses with reliable and growing dividends. The stocks aren't as cheap as they were last year, but should still have some decent upside potential, especially if the BoC is done raising interest rates for the next couple of years.

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