2 Top Cash Cows for Your TFSA

Description

Investments that offer a regular income are ideal for your TFSA, and dividend stocks are among the best such investments. If your sights are set on the long haul, though, you will want to choose firms that possess strong growth potential and that will likely keep on growing earnings and dividends for years. Let's consider two potential candidates to fill this role: **Emera Incorporated** (TSX:EMA) and **BCE Inc** (TSX:BCE) (NYSE:BCE).

Riding big waves in the sunshine state

Emera has many of the qualities top dividend growth stocks possess. First, the firm has a strong operational exposure to Florida, whose growing population and geographical location make it one of the top markets for energy and utility companies in North America.

Emera's wholly owned subsidiaries — TECO Energy and People Gas — are the third-largest public utility and the largest natural gas utility in Florida, respectively. Emera pulls around half of its earnings from the Sunshine State.

Second, Emera continues to strengthen its financial position. The company's revenues have grown by 24% over the past five years, with net income increasing by 27% over the same period. Emera has grown its operating cash flows by 29% over the past two years. Further, the Halifax-based firm has made a conscious effort to improve its balance sheet, with its debt level set to decrease to 55% by 2020 (down from 64% in 2016).

Third, Emera is currently pursuing several growth opportunities. The company plans on investing $6 billion in various projects through 2020, many of which are in the Sunshine State. Florida Solar (one of Emera's subsidiaries) is working to install 600 megawatts (MW) of solar generation. Emera is also improving its 1090 MW Big Bend Power Station; the project will help reduce water and air emissions and improve efficiency and productivity.

With an excellent dividend yield of 4.70% at writing, Emera has increased its payout by a compound annual growth rate of 10.1% over the past five years. The firm's dividends are projected to increase by

5-7% annually through 2021. With growing earnings and cash flows, a stronger balance sheet, and various growth projects to improve its market position, Emera is an excellent option for your TFSA.

A leader in the telecom industry

Last year was one to forget for BCE. The telecom giant — much like its peers and global equity markets — provided a negative net return during the calendar year. But don't let it fool you: BCE is well positioned to keep growing revenues.

BCE is one of the largest wireless providers in Canada. The company benefits from network sharing agreements with its competitor **Telus Corporation** (TSX:T) (NYSE:TU). These agreements have helped BCE improve the quality of its wireless speed, something many consumers prioritize.

BCE's wireless map extends to over 99% of the Canadian population. Despite fierce competition from Shaw Communications — a wireless provider that offers very competitive prices buts slower wireless service — BCE manages to increase its subscribers, though at a lower rate than in previous years.

BCE's wireline segment is actually its largest in terms of revenue. The company generates a little over half of its earnings from wireline. The Montreal-based telecom firm has access to about three-quarters of the population with its service, which compares favourably to most of its competitors.

BCE has also been at the forefront of innovation. The company is currently upgrading its broadband connections to the more efficient Fiber-to-the-home (FTTH), which should increase the speed and quality of its service and likely translate to a larger market share.

As a leader in both wireless and wireline, BCE is set to grow earnings and cash flows, and the company isn't stingy with the dividends. The firm currently offers a fat yield of 5.32%. BCE has increased its dividend payout every year for a little over 10 years. No doubt BCE will keep rewarding investors as the company improves its market position.

Fatten your TFSA with these great dividend stocks

Receiving stable dividends is one of the best ways to grow your money tax-free. Emera and BCE don't just give you the opportunity to do so today, but both companies have what it takes to continue filling your TFSA for many years.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:EMA (Emera Incorporated)

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Date
2025/07/27
Date Created
2019/04/13
Author
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