TFSA Investors: 3 Top Dividend Stocks to Build Your Portfolio Around

Description

A TFSA is a good tool that can help investors build long-term wealth. And a good way to do that is to find some good dividends stocks that are safe buys over the long term. Below are three stocks that fit that criteria and that could be great buys today.

Royal Bank (TSX:RY)(NYSE:RY) is the top bank stock in the country and it's hard to go wrong with investing in it. It may not be the most exciting investment or the one that offers the most growth, but over the long term, you'll know your money is as safe as it can be. Despite what bearish investors might say, Canadian bank stocks are likely to increase over the long haul, unless something absolutely catastrophic happens.

And with a beta of around 0.92, the bank stock likely won't deviate too much from the swings you see in the market. Year to date, it has risen 13% and while that might be underperforming the TSX's 15% returns, over a longer term that's usually not the case. If we look at five-year returns, RBC's stock is up 46% compared to the TSX's 14% increase.

RBC will also provide you with a solid quarterly dividend that's currently yielding 3.9% on an annual basis.

BCE (TSX:BCE)(NYSE:BCE) is another good blue-chip stock that isn't going anywhere anytime soon. With a presence in multiple industries and a variety of different revenue streams, BCE is a well-diversified stock that can allow investors a lot of long-term stability. Over the past five years, BCE has averaged a profit margin of 12.7%, which is very strong given how competitive telecoms can be. Revenue growth, however, has been a bit harder to come by, as in 2018 the company saw its sales rise by just 3.3%.

Ultimately, you're likely not buying BCE for its growth but for the value, stability, and dividend income that it offers, which it has a lot of. The company recently hiked its dividend payments and is now paying its shareholders 5.2% per year, which is a very good payout without a lot of risk. And with BCE's strong track record when it comes to increasing dividends, it's likely that your payouts will continue to grow over time.

Canadian Tire (TSX:CTC.A) offers a bit of a lower yield for investors at just 2.8% today. However, what makes this retail stock an attractive option for a TFSA is the rate at which it has been growing dividends lately. In just five years, quarterly payments have risen from 43.75 cents up to $1.0375 for an increase of 137%, which equates to a compounded annual growth rate of 18.9%.

By no means do I expect that rate of growth to continue, but it's a significant sign to investors that the company is looking for ways to add value. And without much growth in its top or bottom lines, it isn't going to be attracting many growth investors. And that's where a good dividend comes in handy.

Long term, Canadian Tire is one of the safer retail stocks you can invest in, as it has a lot of stability with many recurring customers that see it as much more than just another retailer. The brand carries a lot of weight with Canadians and is a key reason I'd give it preference over its peers in the industry.

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1. Dividend Stocks
2. Investing

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
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