TFSA Investors: 2 Core Growth Stocks

Description

In my view, perfect TFSA stocks should have a combination of steady capital gains and solid dividend growth to maximize the account's performance. Canada has a number of excellent companies, but there are two that are perfect to add to your TFSA.

Restaurant Brands International (TSX:QSR)(NYSE:QSR)

For several years, I have been positive on Restaurant Brands. I like the dividend, the brands it has in its portfolio, and its focus on international expansion. Everything about this company has made it a perfect long-term hold for TFSA investors.

In addition to its Tim Hortons franchise, Restaurant Brands also owns well-known brands like Popeyes and Burger King. All three of these restaurants have established a footprint in North America and are beginning to establish themselves around the world. The company has not been in existence for very long, but it has already managed to increase its share price by over 100% since it first began in 2014.

Its dividend has also grown substantially over that time. The stock currently has a yield of over 3%, but that yield has been steadily growing. In 2018, Restaurant Brands more than doubled its quarterly dividend, and already this year it has increased it by a further 11.1%. Furthermore, the dividend is paid out in U.S. dollars, giving Canadian investors a small boost to their payout with the Canadian dollar being so depressed.

Recently, Restaurant Brands announced it would be expanding its Tim Hortons franchise into China. While this expansion comes with risks, it could provide growth to the company moving forward.

The biggest risk to Restaurant Brands is its debt load. Some have argued that the company should focus on debt repayment over dividend increases, but as long as it keeps generating solid results, the payout should be all right. The company is set to report next week, at which time investors will have a clearer insight into the current state of its business.

Gildan Activewear (TSX:GIL)(NYSE:GIL)

Everyone needs to wear clothes, right? Gildan provides the consumer staples of clothing, such as underwear, socks, general-purpose shirts, and hoodies. Its clothes are functional, necessary, and are used by pretty much everyone. If there was a clothing stock that you could be reasonably certain would be around in 10 years, this is the one to look at.

The company pays a fairly small dividend of around 1.5% at the current share price, but that dividend is powerful. The company has raised its dividend for years, including a 20% increase in February of this year. Diluted earnings per share were up 16% last year and net sales were up 13.6% in the fourth quarter year over year. Strong results of that nature should power more dividend increases moving forward.

Gildan reports earnings on May 2, so these results should give investors a better idea into its continuing performance.

Add these companies to your TFSA

These companies exhibit both strong operational and dividend growth — a powerful combination for your TFSA investments. These are two companies that are worth beginning positions in today. If you hold them for years, the compounded capital returns and dividend appreciation will likely take your tax-free investments to new heights.

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