Avoid These Glaring Mistakes in Your TFSA

Description

Many investors are lured into investing in high-dividend stocks because it's one of the effective strategies that can turn a paltry TFSA deposit into a fortune. However, not all of these stocks can sustain paying high dividends and guarantee high returns. Investors are advised not to be carried away easily.

In order to safeguard your TFSA and avoid costly blunders, there are stocks you should avoid. **Fiera Capital** (TSX:FSZ) and **Thomson Reuters** (TSX:TRI)(NYSE:TRI) are not the best choices at the moment. Both are in the financial services sector but belong to different industries.

The investment manager

Fiera is a global independent asset management firm. The company provides customized multi-asset solutions across traditional and alternative asset classes. The $144 billion assets under management are quite impressive, but the firm's financial performance in 2018 was forgettable.

The company reported net losses of $4.7 million, which were a staggering -144% drop. Although revenue increased +18% to $540.3 million year on year, management admitted that 2018 was a challenging year. Sadly, its fourth quarter turned in a negative return.

Fiera's dismal performance was reflected in the stock's performance. FSZ's current dividend yield of 4.82% is hard to dismiss, but since the company is standing on shaky ground, stay clear for now.

The news and information provider

Thomson Reuters has probably reached its peak this year already. Analysts don't see any potential price appreciation at the current price of $86.99. That's an unreasonable and expensive entry point level. However, Thomson Reuters is a dividend-paying stock.

This company is popular for providing business, financial, and current events news and has a five-year average dividend yield of 3.20%, but the 565% payout ratio raises a red flag. Payout ratios help in determining if a company can sustain paying dividends.

If the payout ratio is over 100%, the company is returning more money to shareholders than its actual earnings. Sooner or later, a dividend cut is inevitable or scrapped totally. Many companies are hesitant to bring down dividend rates for fear of the stock price falling down. That might be the case for Thomson Reuters.

In fairness to the 220-year old company, it has accumulated 25 years of dividend growth. My interpretation of the payout ratio might be different from yours. But I would stress that Thomson Reuters is no longer a growth-oriented company seeking to expand or create new products.

Set clear investment goals

There's no textbook instruction on creating the best TFSA investment strategy. The important thing is for you to set clear investment goals. Figure out the acceptable return. Pick the stocks you that can maximize your investment upside and mitigate any potential downside.

Fiera has set in motion its 2022 strategic plan, while Thomson Reuters sold a big chunk of its financing business. Both will be making moves to improve overall performance. But for now, they're not the safest bets. Bear in mind that the TFSA is your ticket to more wealth. Your intelligent choices will prevent big mistakes.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. TSX:FSZ (Fiera Capital Corporation)
3. TSX:TRI (Thomson Reuters)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/07/03
Date Created
2019/05/19
Author
cliew