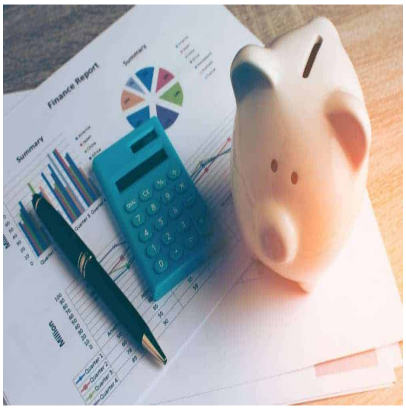

3 “Cash Cow” Stocks for a Dividend-Focused TFSA

Description

A TFSA is a perfect account for an income-focused portfolio. Giving you the ability to withdraw money tax-free, it allows you to generate income that you can use for anything you like. If you’ve never opened a TFSA, you can deposit up to $63,500 this year thanks to the account’s “cumulative contribution” rule, which states that you may accumulate contribution space for every year that you haven’t contributed since 2009.

This means if you have some cash to throw around, you can set up a high-yield TFSA portfolio today and begin generating thousands of dollars a year in tax-free income. To do this successfully, though, you need to pick the right stocks. Although there are plenty of high yielders on the TSX, it’s important to pick ones whose dividends are reliable. With that in mind, the following are three “cash cow” stocks for a dividend-focused TFSA.

Laurentian Bank (TSX:LB)

Laurentian Bank is a medium-sized Canadian bank that operates mainly in Quebec. The bank ran into some trouble in 2017 when it was discovered that it had been selling mismanaged mortgages. As a result, the company had to buy back $392 million worth of loans, which led to a slowdown in earnings growth.

As a result, the company’s shares were beaten down, causing their yield to soar past 6%. Of course, this is a classic case of a high yield caused by a justified selloff; however, assuming that Laurentian can get its mortgage loan review processes under control, the company should bounce back.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge operates Canada’s largest and most sophisticated crude oil and LNG pipeline. The company is in the process of adding more pipeline capacity through its Line III replacement. Given the insatiable demand for low-cost oil shipments and delays facing other pipelines, the line III project will almost certainly bring in extra revenue for Enbridge.

This stock has a 5.9% yield right now, and the payout looks to be well supported by earnings, so this stock is as close to a cash cow as you’ll find anywhere.

Transcontinental (TSX:TCL.A)

Transcontinental is a packaging and newspaper company that does over $2 billion in annual revenue. The company owns dozens of newspapers around the country but recently has been focusing more on the packaging side of its business. This includes the manufacture and sale of bags, cartons, shrink films, and forming films. Owing to the weakness of the newspaper industry, Transcontinental’s earnings and share price have been on the decline. However, this has had the effect of sending its dividend yield north of 6%.

Transcontinental is probably the riskiest stock on this list, since its earnings woes are a byproduct of being in a struggling industry. However, the company’s packaging business is doing well, contributing to stronger revenue and operating income in its most recent quarter.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:TCL.A (Transcontinental Inc.)

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