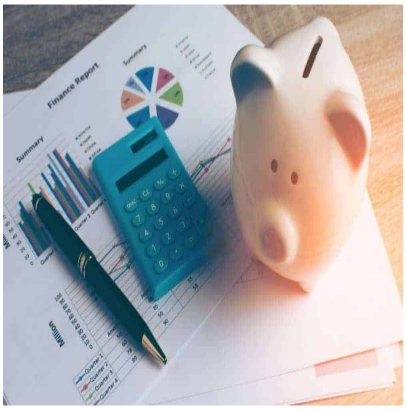

TFSA Investors: 3 “Forever Stocks” to Provide Tax-Free Income for Life

Description

There’s nothing like tax-free income.

And thanks to the Tax-Free Savings Account (TFSA) –Canada’s most flexible tax-exempt saving option — you can actually earn a surprising amount of it.

While Canadians normally pay taxes on dividends and capital gains, it’s possible to shelter your holdings with the help of a TFSA.

TFSA holdings are not only not taxed while inside the account, but they can also be withdrawn tax-free, making such accounts perfect for generating income you intend to spend.

By putting just a few thousand dollars a year into your TFSA, you can eventually build a nest egg that will pay you handsomely in dividends. With that in mind, here are three high-yield dividend stocks that can pay you beaucoups bucks inside your TFSA.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis is a Canadian dividend investor’s favourite. A diversified utility with assets in Canada, the U.S., and the Caribbean, it pumps out solid income quarter after quarter. This company’s dividend history is legendary: with 45 consecutive years of dividend increases under its belt, it pays income that’s not only high, but rising. This stock’s current yield is 3.56%, and management aims for annual increases of about 6% per year.

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN)

Algonquin Power & Utilities is another utility stock. Like Fortis, it owns a geographically diversified collection of utility assets across North America. Also like Fortis, it has a long track record of dividend increases. Algonquin’s current dividend yield is about 4.8%, which is higher than Fortis’s, although its payout ratio is also higher. On the flip side, Algonquin has much stronger historical capital gains than

Fortis does: over the past five years, it has risen 93% to Fortis's 53%.

TD Bank (TSX:TD)(NYSE:TD)

Last but not least, we have TD Bank. TD Bank has been one of Canada's best bank stocks over the years, rising 320% since the bottom of the financial crisis (if you'd bought BEFORE the crisis, you'd have realized a gain of 114% by today). These returns absolutely thrash the TSX average, which has been abysmal over the past decade.

Why is the TD Bank such a strong stock?

There are several reasons.

First of all, it is famous for its conservative lending practices, which spare it the fate of too many defaults — critical at a time when many are sounding the alarm about Canadian credit quality.

Second, TD Bank has a popular and fast-growing U.S. retail business, which makes up about 35% of the company's total operations and is growing at 30% year over year. This fast growth could easily continue, as TD Bank is still only the eighth-biggest bank in the states and has barely scratched the surface of west coast markets like L.A. and the Bay Area.

Finally, TD Bank pays a generous dividend that yields approximately 4%, while also having a low payout ratio of just 44%. That dividend has also been growing over time, so, for income investors, this is pretty much a no-brainer. There are some short-term credit concerns, to be sure, but TD Bank is well protected by its geographic diversification.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:FTS (Fortis Inc.)
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