



TFSA Investors: 3 Rock-Solid Dividend Payers Yielding up to 7.7%

Description

Your TFSA is the perfect investment vehicle for long-term income generation.

Provided you stick to Canadian securities, all dividends received in the account are tax-free. This allows an investor to build their capital at a much faster rate versus a taxable account, which is constantly having to deal with paying the government their share.

But the real advantage comes when it's time to convert the principal into a consistent income stream. Remember, all withdrawals from a TFSA are also tax free. This means that if you create a seven figure TFSA — [which isn't even that hard to accomplish](#) — that alone should be enough to cover your retirement — especially after government benefits kick in.

The only thing left to do is figure out which income-producing stocks should end up in the account. We've got you covered there. Here are three great dividend payers that will improve any TFSA's long-term income prospects.

Automotive Properties

Automotive Properties REIT ([TSX:APR.UN](#)) is one of my favourite TSX stocks today. The company buys and then leases back car dealership real estate to operating companies through long-term leases with annual rent inflation built right in.

There's a massive long-term consolidation coming in the car dealership market, as many smaller operators sell to larger conglomerates. These larger companies can't expand as quickly if they're forced to buy the real estate each time they make an acquisition. So, these companies will buy a location and then flip it to Automotive Properties. It's a perfect win-win scenario.

The business model is already working quite well. The company had 26 properties when it completed its initial public offering in 2015, comprising of a little less than one million square feet of gross leasable area. The portfolio stands at 57 properties today — with two more properties pending — and more than 2.1 million square feet of leasable space.

The company pays an attractive 7.7% dividend with a payout ratio in the 80% range. Investors don't have to worry about the dividend here; it's rock solid.

North West Company

North West Company ([TSX:NWC](#)) is primarily engaged in the retail business in remote northern communities, where it is often the only store in town. It also has locations in the Caribbean and South Pacific islands. This translates into better profit margins versus more traditional retailers.

Growth has been solid, albeit unspectacular over the last couple of years. Revenue crept up approximately 3% over the last fiscal year, with earnings checking in at just under \$87 million. That translates into \$1.78 per share, putting the stock at just over 17 times trailing earnings. That's a reasonable price to pay for a retailer with an obvious competitive advantage.

North West Company pays investors an attractive 4.3% yield. It also has a solid history of hiking its dividend, including two raises since 2016. It's not a [spectacular growth name](#), but you can count on the distribution.

Rogers Sugar

There are few businesses steadier than sugar. Although people like to say they're eating healthier, the numbers tell a different story. Sugar consumption is actually holding up pretty well. That's good news for **Rogers Sugar** ([TSX:RSI](#)) — one half of Canada's dominant sugar oligarchy.

Remember, the sugar industry in Canada is protected by government tariffs on foreign sugar. That's good news for both Canadian farmers and producers.

Rogers has also diversified recently into the maple syrup business, which is experiencing a little better growth than sugar. Over its last two fiscal years, the company saw revenue increase from \$564 million to just over \$800 million.

The company earned \$0.41 per share over the last year, which puts the stock at just over 14 times trailing earnings. It also ensures the generous \$0.09 per share quarterly dividend — which translates into a yield of just over 6% — is safe. You can count on this payout for a long time.

CATEGORY

1. Investing

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1. Editor's Choice

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1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)
2. TSX:NWC (The North West Company Inc.)
3. TSX:RSI (Rogers Sugar Inc.)

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