TFSA Investors: Accumulate Passive Income With These 3 Dividend Growth Stocks

Description

Dividend stocks can look great inside a TFSA, especially those that have raised their payouts over the years. Stocks that are likely to increase their dividend payments could help investors earn a lot more on their initial investment and also be a great way to accumulate wealth. Below are three of the best dividend growth stocks on the TSX.

Emera Inc (TSX:EMA) has become one of the best utility stocks to own in Canada. Not only is the stock valued well at a price-to-earnings multiple of around 17 and trading at just 1.7 times book value, but its dividend has also risen sharply over the years.

Back in 2009, Emera was paying investors a dividend of 25 cents per share. Today, however, the company now pays 59 cents, an increase of 136% and a compound annual growth rate (CAGR) of 9%.

An increase of 9% per year is very impressive and well above the level at which many companies hike their dividend. With that and the stock already yielding 4.4% per year, it would already be a great dividend today without any further increases. Emera is an easy stock to justify putting in your portfolio today as on top of being a good value buy, and it also possesses strong growth prospects and pays a high yield.

Suncor Energy Inc (TSX:SU)(NYSE:SU) has hiked its dividends even more than Emera has over the past decade. From quarterly dividend payments of just five cents a share 10 years ago, Suncor now pays its shareholders 42 cents, an increase of 740% and a CAGR of 24%, although that may be a bit skewed as a result of some very bullish times in the oil and gas industry. If we look at just the past five years when dividend payments were 23 cents, the CAGR drops to around 12.8%.

Now, with oil and gas not showing the same strength that it did before, it's possible that over the next five years, the rate of increase continues to decline. However, like Emera, Suncor is already yielding a high dividend of 4.1% and so even a modest increase in its dividend payments would still make it avery attractive buy. With strong fundamentals, Suncor has proven to be a resilient company that can produce strong results even amid challenging times.

Canadian Tire Corporation Limited (TSX:CTC.A) offers a smaller dividend than the other two stocks on this list at just 3%. However, its rate of increase suggests that it might not be done with more dividend hikes. During the past decade, Canadian Tire's dividends have grown from 21 cents every quarter to $1.04, about five times what it was paying back then, putting Canadian Tire's CAGR at over 17%. Even if we look at just the last five years, the company's CAGR is still a solid 16%.

Unlike Suncor, however, it has been fairly consistent in its rate hikes, and with the yield a bit lower, it wouldn't be surprising to witness Canadian Tire continuing a similar pace going forward. With retail stocks having a hard time generating much excitement, a good dividend can help lure in investors looking to score a good payout.

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1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:EMA (Emera Incorporated)
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