2 Smart Ways to Add Renewable Energy Stocks to Your TFSA This Weekend

Description

Stashing high-yielding dividend stocks to a tax-free savings account (TFSA) is a great way for Canadians to grow their wealth in a relatively short space of time. By adding renewable energy to a basket of passive income-generating stocks, an investor is betting on a sustainable future, but also a huge growth industry with solidly defensive qualities. Let's look at two distinct ways for TFSA investors to play the green energy space.

Get some exposure to the sun

I'm not talking about sitting out in the yard tending a BBQ, though it's certainly the time of year for it. What I'm talking about is investment in solar energy. A good play here is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP), which recently acquired a sizeable stake in the independent solar energy platform, **X-Elio**. This will add a large chunk of extra operational capacity to Brookfield Renewable Partner's already impressive portfolio of 17,400 MW.

The largest independent player in the solar space, X-Elio has a current capacity of 273 MW, and its addition to the Brookfield Renewable Partners family makes the diversified stock an even more sensible choice for inclusion in a TFSA. Solar energy makes up a portion of its investments already, though 75% of its portfolio is hydroelectric power, a field in which Brookfield Renewable Partners is a world leader.

In addition to its existing operating yield, X-Elio has a further 6,213 MW in potential output either currently being built or under development, and extends beyond Spain into Japan and the Americas. This puts a new spin on Brookfield renewable Partners and makes it all the more appealing to a long-range dividend investor seeking to diversify an energy portfolio away from oil and gas.

Yielding 5.82%, Brookfield Renewable Partners offers investors diversified exposure to energy markets in Asia, Europe, and North and South America. Its dividend has been raised annually for almost a decade and will continue to grow. For would-be buyers with a focus on performance, look no further than Brookfield Renewable Partners' Q1 results, which saw $400 million in liquidity freed up in asset sales and an 18% year-over-year increase in funds from operations.

Diversify across multiple renewable energy sources

TFSA investors can get exposure to hydro, wind, solar, and thermal energy sources with just one stock: **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN). Popular with green energy investors, it's also a dividend stud that pays a handsome yield of 4.6%. It's also got broad appeal among the conventional energy investment crowd, covering gas operations as well. All told, Algonquin Power & Utilities is a low volatility gem.

While Algonquin Power & Utilities isn't as high yielding as Brookfield Renewable Partners, both stocks offer defensive passive income that will mount up over time. Algonquin Power & Utilities offers a great play for infrastructure, too, with its water distribution and wastewater collection utilities. Considered in combination with its operational capacity of 1.5 GW from its green energy projects, these facilities make for a recession-ready wunderkind of a company.

The bottom line

Algonquin Power & Utilities is one of the best stocks in the green energy space, and a stable dividend payer to boot. Holding it alone or in conjunction with Brookfield Renewable Partners in a TFSA or other long-range portfolio makes a lot of sense, and could assure a passive investor with some low-maintenance income for years to come.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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vhetherington