3 Top TFSA Stocks to Buy in July and Earn Higher Yield

Description

It's usually not a good strategy to buy high-yielding stocks if you want to play it safe in your Tax-Free Savings Account (TFSA). While your TFSA is a long-term savings vehicle you want to use to slowly build your income, a high yield often comes with more risks.

That being said, the following three stocks don't belong to the risky segment of the market, and their above-average dividend yields offer a great opportunity for TFSA investors to earn decent passive income when rates on other assets are extremely low. Let's take a deeper look at these top dividend stocks.

Bank of Nova Scotia

Big attractions that make Canada's top five lenders good buys are their rock-solid balance sheets, growing payouts, and diversified revenue streams. The nation's third-largest lender **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) certainly fulfills these criteria and offers a good entry point to strengthen your TFSA portfolio.

Scotiabank has expanded in Latin America to grow at a time when Canadian market was saturated. Following its aggressive growth in the region, Scotiabank is now one of the largest lenders in the Pacific Alliance — an economic bloc consisting of Mexico, Peru, Chile, and Columbia.

The region is forecast to contribute 30% to the bank's total revenue over the next three years. That diversification away from North American economy is a good hedge to counter any possible weakness in this market in the next two to three years.

The second reason that makes Scotiabank stock to income investors is the lender's higher yield, which is close to 5% now. Scotiabank has been a reliable name when it comes to paying dividends, as it has never missed a dividend payment since 1832.

BCE

Canada’s top telecom operator **BCE** (TSX:BCE)(NYSE:BCE) is another quality dividend stock that I recommend for your TFSA. Its 5.4% dividend yield is still attractive, even after the stock’s powerful rally this year, especially when the Bank of Canada is likely to stay on hold or may even cut interest rates.

The other advantage of locking in BCE’s higher yield is that you’re likely to get a regular increase in the payout. The company has long maintained a policy of increasing its dividend by 5% annually.

As per the company’s dividend policy, the company distributes between 65% and 75% of its free cash flow in payouts. In the past decade, BCE has more than doubled its payout to reward its loyal shareholders.

RioCan

It’s always good to diversify your TFSA if you have a long-term investing horizon. One big advantage of taking exposure to different sectors of the economy is that you reduce the volatility in your portfolio.

RioCan Real Estate Investment Trust (TSX:REI.UN) is one of the safest bets to take exposure to Canada’s robust real estate market. RioCan is Canada’s one of largest retail REITs, which owns, manages, and develops retail-focused, mixed-use properties located in prime areas.

For TFSA investors, RioCan’s consistent history of rewarding investors is the biggest attraction. At a time when the rates on the fixed-income investments are close to zilch, RioCan’s consistently growing dividend is a great alternative. From its debut on the TSX in 1994 to its peak value in 2015, RioCan returned a total of 2,408%, including distributions.

Currently, RioCan pays a $1.44-a-share annual distribution that translates into a 5.44% yield.

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3. TSX:BCE (BCE Inc.)
4. TSX:BNS (Bank Of Nova Scotia)

5. TSX:REI.UN (RioCan Real Estate Investment Trust)

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hanwar