TFSA Investors: 2 Dividend Studs to Buy With Your $6,000 Contribution

Description

Have you just made your TFSA contribution? Are you looking for investment opportunities that offer both succulent yields along with capital appreciation potential?

This article can help. Here are two great Canadian companies I'd be looking to add to my TFSA with my 2019 contribution. In fact, I already own both.

Crombie

Crombie Real Estate Investment Trust (TSX:CRR.UN) is one of Canada's top owner of retail space, which is almost always anchored by a Sobeys or a Safeway grocery store. Its portfolio consists of 285 properties consisting of 18.6 million square feet of gross leasable area. The company owns nearly $5 billion worth of assets.

Like many of its peers, Crombie's management realized a few years ago the company was sitting on some great real estate that was under-utilized. It has embarked on an ambitious development plan that will see it add 24 different projects to the portfolio over the next decade.

Many of these developments will be more than retail space. The company's Davie Street expansion is a great example. The project, which was started in 2017, will see a Safeway-anchored retail space turned into a mixed-use development with two residential towers also built on the site. Crombie will retain a 50% ownership in the 330 planned apartments.

The company also has active developments in Montreal, Langford, Oakville, and St. John's, which will be completed in the next couple of years.

While investors wait for these new projects to add to the bottom line, they can collect a nice 5.7% dividend. This payout could also be heading higher once the newly built real estate starts adding to the bottom line. Investors don't have to worry about the payout, either. It's well covered by earnings.

Genworth

Genworth MI Canada Inc. (TSX:MIC) is Canada's only publicly traded mortgage default insurer. Genworth has been the target of short sellers for years now, investors who are convinced the Canadian housing market is about to crash, taking the company's shares with it.

Mortgage default insurance is a fantastic business. Borrowers who put less than 20% down on a property are required to get it, with the average premium worth around 2-3% of the value of the home. The full amount is financed by the lender, so Genworth gets the capital to invest immediately.

The cash is put into a conservative portfolio, where it slowly accumulates interest. Historical default rates are under 0.5%, and it's the kind of business that can keep getting bigger without any additional investment.

Despite it being one of Canada's finest stocks — at least in this analyst's opinion — the company still trades at a bargain valuation. Shares trade at just nine times trailing earnings and a smidgen under book value. It also pays a succulent 4.6% dividend yield, a payout that has been increased annually since 2010.

The bottom line

A TFSA stuffed with great dividend stocks like Genworth and Crombie will generate gobs of succulent, tax free income. They also both have great long-term capital appreciation potential.

What more could you ask for? The only thing left to do is add these stocks to your portfolio. Today.

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TICKERS GLOBAL

1. TSX:CRR.UN (Crombie Real Estate Investment Trust)

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