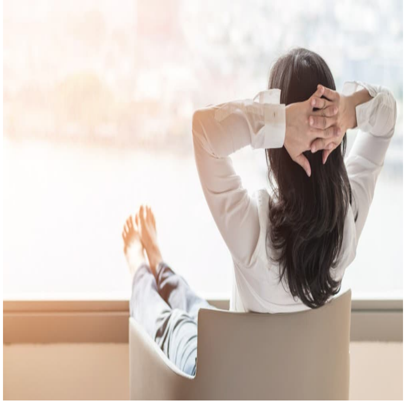

TFSA Investors: 2 Top Dividend Stocks for Passive Income

Description

Canadian retirees are searching for ways to generate a steady and growing stream of income from their savings.

One strategy to hit the income goal is to buy top-quality dividend stocks inside a TFSA. The distributions are tax-free, they don't count towards income when OAS payments are calculated, and you get to keep all the capital gains if the stock prices soar and you decide to book some profits.

Let's take a look at two top Canadian companies that might be interesting dividend picks for your TFSA portfolio today.

TD

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a giant in the Canadian banking sector, but it actually has more branches in the United States.

The U.S. division has grown significantly over the past 15 years as a result of an aggressive acquisition strategy that saw TD buy regional banks from Maine to Florida. Management has said TD has the scale needed to compete in the United States and is now working on organic growth initiatives.

The American operations contribute more than 30% of total profits, providing a nice balance to the Canadian business.

TD is widely considered to be the safest bet among the Canadian banks and has a strong track record of rewarding shareholders with rising dividends and share buybacks. The compound annual dividend-growth rate over the past 20 years is about 11%, and investors should see the increases continue in line with gains in earnings. TD is targeting earnings-per-share growth of 7-10% over the medium term.

The stock isn't cheap at 12.4 times trailing earnings, but you get a rock-solid income generator that currently offers a 3.8% yield.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a North American utility company with power generation, electric transmission, and natural gas distribution businesses. Large U.S. acquisitions in recent years have grown the asset base and helped diversify the revenue by geography and sector. Fortis now gets more than half of its revenue from the American operations.

Growth also comes through organic investment. Fortis is currently in the middle of a five-year capital program that will see the company spend more than $17 billion through 2023. This is expected to boost the rate base significantly and support average annual dividend hikes of 6%.

The company has raised the payout every year for decades, so investors should be comfortable with the guidance. The current yield is 3.5%.

The bottom line

TD and Fortis don't provide the highest yields in the TSX Index, but they are solid companies with reliable payouts that continue to grow. If you are searching for sleep-easy stocks to generate passive income, these companies deserve to be on your radar.

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Date
2025/08/25
Date Created
2019/07/25
Author
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