2 Dividend-Growth Stocks for Your TFSA

Description

Since realized capital gains are classified as taxable income, investors who make a profit by trading stocks have to share some of this profit with the government. That is, unless they are fortunate enough to own a TFSA, which does not apply taxes to any contributions. Of course, TFSAs have a limit, but it would be a shame to not take advantage of them to (legally) avoid paying taxes on at least some of your capital gains or dividends (or both).

Here are two dividend stocks you can include in your TFSA: **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Emera** (TSX:EMA).

Emera

The utilities sector is a favourite of income-seeking investors, and with good reason. Companies within this sector are, on average, less volatile than the broader market and typically pay higher dividend yields than most other sectors. Emera displays both of these characteristics.

First, the firm has a very low beta, currently standing at just 0.45. Over the past five years, Emera's share price has increased by about 55%. Second, Emera offers investors a juicy dividend yield of 4.36% and a payout ratio of 72.26%, which is not bad by industry's standards. Since 2014, the company's dividends have increased by 62%, which amounts to a more than 12% average annual increase.

In addition, Emera looks well positioned to keep its earnings afloat. As a regulated utilities company, much of its earnings are stable and predictable. Emera has well over two million customers, including a relatively recent investment in the state of Florida, which is an excellent market for utilities firms. Emera is also investing millions of dollars into clean energy, which, in addition to environmental benefits, should lead to more efficient operations overall. Finally, the company plans on delivering annual dividend increases of 4-5% through 2021.

Bank of Nova Scotia

BNS is the third-largest Canadian bank by asset. Though the company holds a respectable domestic share in several key banking segment, BNS is perhaps more internationally oriented than any of its Canadian peers. Indeed, a little less than 50% of the company's revenues are generated outside of Canada.

BNS has made a push to profit from secondary and emerging markets such as South America and the Caribbean. Although this strategy exposes the Toronto-based financial institution to higher risk, it also gives it access to some fast-growing markets. The firm's international revenues have been increasing recently, and BNS made the strategic decision to close many of its operations in South America and focus on more profitable ones in the region.

BNS currently pays a juicy dividend yield of 4.98%. The firm has raised its dividends by 40% over the past five years, and with a 50% payout ratio, there are probably more raises in the horizon. Investors will no doubt also appreciate its valuation. Currently trading at just 10.49 times past and 9.22 times future earnings, BNS looks too cheap to pass up.

The bottom line

Emera and Bank of Nova Scotia are both great options to consider for your TFSA. Both companies offer investors high dividend yields and the potential for constant dividend increases over the years. Thus, these stocks can continue filling your TFSA with cash for many years to come.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:EMA (Emera Incorporated)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks

2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/07/27
Date Created
2019/07/27
Author
pbakiny