TFSA Investors: Turn the TFSA into Your Cash Machine With These Proven Dividend-Growth Stocks

Description

Accumulate more than $100,000 in your Tax-Free Savings Account (TFSA) in 10 years by contributing $6,000 every year and getting a very reasonable rate of return of 10%.

Here are some proven dividend growth stocks that can help you secure that 10% return.

Get 5% yield and 5% growth from Pembina

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has a track record of growing its cash flow that supports safe and rising dividends. Since 2008, its adjusted cash flow has been in an upward trend with the utmost stability — increasing by nearly 11% per year on a per-share basis over a decade and through the last recession!

Although we target a 10% return, Pembina stock will likely outperform. In the past five years, the company has increased its dividend at a compound annual growth rate of 6.4%.

A challenging energy pricing environment has had little impact on the company. Pembina just reported its second-quarter results: its total volume remained stable at 3,384 mboe/d, while its adjusted EBITDA, a cash flow proxy, rose 9% to $765 million year over year.

The energy infrastructure company has a history of bringing projects into service on time and on budget. It's currently constructing $3 billion of pipeline expansion projects or gas-treating facilities, which are set to progressively come online from late 2019 through the first half of 2022.

Reasonably-valued Pembina stock offers a yield of about 5% and growth of about 5% that will lead to a roughly 10% long-term return. Investors can exceed this target if they get the chance to buy Pembina shares on dips of +7% or if the company makes an accretive acquisition to spark greater growth.

Get 5% yield and over 5% growth from Scotiabank

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is another dividend growth stock that has similar income and growth characteristics as that of Pembina. Scotiabank offers a safe yield of 5% and earnings growth of about 5-6%.

Although we target a 10% return, BNS stock will likely outperform. In the past five years, it increased its dividend at a CAGR of 6.5%.

Moreover, the stock is trading at a historically low valuation — at about 1.3 times book value and about 9.7 times earnings. A reversion to the mean can lift the stock to $88-94 per share 27-36% higher though this is more like an over three-year price target range.

The bank's Canadian operations pretty much cover for its dividend. It aims for greater long-term growth via its international operations in Mexico, Peru, Chile, and Colombia, where it's significantly underbanked and there is a younger population.

Since 2009, Scotiabank has had returns on equity of +13%, which is proof that it's consistently profitable and an excellent long-term investment as a cash machine.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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