TFSA Investors: 3 Dividend Stocks Yielding Up to 11.2%

Description

Many investors dream of a TFSA that spins off gobs of succulent, tax-free income. This is a big part of their retirement plans.

In order to accomplish this, investors must lay the foundation to this plan today. That means filling your TFSA's current contribution room with solid dividend payers and then slowly reinvesting the income generated into new stocks. After that, it's only a matter of watching the portfolio to ensure it steadily goes up over time.

Picking the right dividend stocks is critical to having a great TFSA. Here are three picks to get you started, including one that offers a double-digit yield. Let's take a closer look.

National Bank of Canada

Canada's largest bank stocks have quietly sold off lately, creating a great long-term buying opportunity. Investors are not bullish about how lower rates will impact the sector, and all the talk about a recession sure hasn't helped either. It's a perfect time to add to your bank stocks.

One of my favourite names in the sector today is **National Bank of Canada** (TSX:NA), the nation's sixth-largest bank. It has held up better than other banks lately because of its exposure to Quebec — which is booming — as well as its large exposure to wealth management.

Recent loan losses have been slightly below expectations, too. Finally, the bank's U.S. and international operations have been performing pretty well.

National Bank shares trade at a mere 10 times trailing earnings and just 9.2 times 2020's estimated earnings of $6.62 per share. Investors should also keep in mind the stock pays a generous 4.4% dividend, a payout that will undoubtedly continue to increase by 5-8% annually.

Chartwell Retirement Residences

I'm convinced Canada's aging population will create one heck of a long-term investment opportunity, especially in the seniors housing sector. After all, getting older is the one reality none of us can avoid.

Chartwell Retirement Residences REIT (TSX:CSH.UN) owns 188 retirement residences and long-term care facilities, as well as managing an additional 12 locations. Its portfolio, which mostly consists of retirement residences, has more than 26,000 beds.

About half its portfolio is located in Ontario, with Quebec-based locations making up an additional 30% of the company's assets.

Shares have been a little weak over the last year, falling a few percent on some short-term operational woes. Some of Chartwell's homes are in competitive markets, which has decreased occupancy a little bit.

These short-term issues should translate into a good long-term buying opportunity for investors who load up on shares today.

The stock currently yields 4% with a payout ratio under 70% of funds from operations. Look for Chartwell to continue its current trend of slowly raising its dividend on an annual basis.

Canoe EIT Income Fund

I've saved the best for last. The **Canoe EIT Income Fund** (TSX:EIT.UN) is a closed-end fund that gives investors a whopping 11.2% yield, which translates into a payment of $0.10 per share each and every month. The payout is sustainable, too; the fund hasn't missed or cut its dividend since 2009.

So how does it work, exactly? The fund uses a three-step method to generate all sorts of income. First it puts capital to work in the kind of blue chip dividend names you already own. It then uses cheap debt to buy bigger positions.

Finally, the company uses a covered call approach that creates large amounts of income in exchange for limiting the upside on some of its stocks.

This fund will likely trade in a range for a long time, as all of its income goes back to shareholders. This isn't such a big deal for investors who want that income now. That'll happen when you offer an 11.2% yield.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. TSX:CSH.UN (Chartwell Retirement Residences)
2. TSX:EIT.UN (Canoe EIT Income Fund)
3. TSX:NA (National Bank of Canada)

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