TFSA Investors: 2 Stocks That Recently Raised Their Payouts

Description

A good stream of dividend income is an excellent way to grow your TFSA's value over the years – and a a yield that rises in value is even better, as it shows a company that's committed to creating value for shareholders.

The benefit of holding a stock that has raised its dividend payments is that it means you'll be earning more in dividend income despite the fact that your investment remains unchanged.

The dividend yield you were earning effectively becomes higher with the hike. The more increases that happen over time, the higher that percentage goes. That's why holding dividend growth stocks for decades is an attractive option, since it means you'll be earning significantly more in dividend income by then.

The two stocks listed below recently announced increases to their dividend payments and could be great additions to your portfolio.

Keyera Corp (TSX:KEY) issued a press release in August stating that its dividend would be increasing from $0.15 to $0.16. Although it looks nominal, that's an increase of 6.7%, which can make a big impact for dividend investors.

The company has been steadily increasing its dividend in recent years, with payments back at the start of 2015 being just $0.1075 per share. That's an increase of 49% over a period of about five years.

That means that on average, Keyera's payouts have increased by about 8.3% per year. That's a very high rate of increase, especially amid an industry where increases are certainly not typical. To put into perspective what this means in terms of dividend income, consider that if Keyera continued at this pace, it would take less than nine years for its dividend payments to double.

However, it's important to remember that just because the company has been increasing its payouts at that rate that they'll *continue* rising at that pace. It's discretionary for the company to decide if it wants to increase its payouts and by what amount.

Canadian Western Bank (TSX:CWB) announced last week that its dividend would be rising as well. After a strong quarter that saw both loans and deposits improve, the company rewarded shareholders with an increase in the company's dividend payments from $0.27 to $0.28.

The bank normally increases its dividend multiple times a year and in total, the new dividend will be 7.7% higher than it was a year ago.

Similar to Keyera, Canadian Western has also been growing its payouts at a steady rate. In 2015, its payments were $0.21 per quarter and are now 33% higher than they were back then. That's a more modest average increase of around 5.9%; at that rate, it would take about 12 years for payments to double.

At its current rate, Canadian Western is paying investors around 3.6% today, compared to 5.9% for Keyera. With a higher yield today and larger hikes to its dividend, Keyera will likely provide investors with a higher yield for years, but there will be a bit more risk that comes along with it as well.

Ultimately, it comes down to how important risk is versus stability. While higher yields can be attainable, they usually come at a risk.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)
2. TSX:KEY (Keyera Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/21
Date Created
2019/09/04
Author
djagielski