



TFSA Investors: Get a Secure 5.85% Yield from Dividend Stocks

Description

A recent poll by **RBC** revealed that “among those with a Tax-Free Savings Accounts (TFSAs), the most-common holding in these plans are savings accounts and cash (42%), followed by mutual funds (28%), stocks (19%), GICs/term deposits (15%), ETFs (7%), and bonds (6%).”

It's such a waste to use TFSAs as a savings or cash account because TFSAs can be used to grow your money much faster. Put your savings in non-registered accounts for short-term needs.

Use your TFSA to earn big income immediately from dividend stocks for long-term investment. You can withdraw the dividend income tax-free any time if you need to.

Here are two stocks that are attractive today to generate passive income in your TFSA portfolio.



Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is one of the largest banks in Canada. However, through strategic acquisitions and organic growth, it has also built market-leading positions in the higher-growth Pacific Alliance countries, such as Chile and Colombia.

Last quarter, the bank increased its adjusted earnings per share by 6.8% against the comparable

quarter a year ago. This was an obvious improvement compared to its flat year-to-date earnings results.

Although the better-than-expected quarterly results have driven the stock a bit higher, the stable bank is still a compelling value at \$71 per share, trading at under 10 times earnings.

The strong results have also allowed BNS stock to raise its dividend by 5.9% year over year. Investors can expect annual dividend increases of 5-6% in the future, supported by a reasonable payout ratio and earnings growth.

The existing dividend is good for a yield of 5.1%.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is the largest energy infrastructure company in North America with a wide economic moat. The company's complicated network of pipelines, which are used for transporting liquids and natural gas, is essential for the everyday lives of Americans.

ENB stock trades at an attractive valuation because of delays (that are expected to be temporary) in certain projects. Thankfully, it pays investors to wait. Currently, it offers an incredible yield of 6.6%, which is supported by growing distributable cash flow and a sustainable payout ratio.

Investors can also expect dividend increases every year. Enbridge has paid dividends for more than six decades and has increased its dividend every year for more than 20 consecutive years at a double-digit rate. Next year, it's set to increase the dividend by 10%, which implies a whopping forward yield of 7.3%!

Investor takeaway

Start earning big tax-free income from your TFSA by investing in Bank of Nova Scotia and Enbridge today. The undervalued stocks offer an average yield of 5.85%.

So, investing the same amounts in the stocks now will lead to a yield on cost of 6.3% in 2020. Watch your tax-free income stream grow larger every year!

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