3 Top Dividend Stocks to Boost TFSA Income

Description

Canadian pensioners and other income investors are taking advantage of the TFSA to earn tax-free income on their savings.

The TFSA came into effect in 2009, and Canadian residents now have as much as $63,500 in contribution room. This is large enough to build a solid portfolio of dividend stocks.

Let's take a look at two companies that might be interesting picks to get you started.

Royal Bank

Royal Bank of Canada (TSX:RY)(NYSE:RY) has been a steady performer for decades, and that trend should continue, even as the banking industry faces challenges from non-bank entrants through the emergence of mobile payment applications.

Royal Bank has strong operations across a number of segments, including personal and commercial banking, wealth management, capital markets, investor and treasury services, and insurance. A US$5 billion acquisition in the United States a few years ago bulked up Royal Bank's presence south of the border, and investors could see those operations expand in the coming years.

Royal Bank reported solid results for fiscal Q3 2019 and is on track to beat its 2018 earnings of $12.4 billion.

Dividend hikes should increase each year in line with earnings growth. The current payout provides a yield of 4.1%.

TC Energy

TC Energy is a giant in the North American energy infrastructure industry with oil and gas pipelines, power generation, and natural gas storage assets located in Canada, the United States, and Mexico.

The firm has a $32 billion secured capital program on the go that will carry it through 2023. Management is doing a good job of monetizing non-core assets to help cover the funding needs, and falling interest rates along with plunging yields in the bond market should reduce financing costs.

As the new assets move from development to service, cash flow should grow enough to support annual dividend increases of at least 8% through 2021. Investors who buy the stock today can pick up a 5.5% yield.

Resistance to new major pipeline projects is a challenge for the industry, but TC Energy should have ample tuck-in and expansion opportunities across its asset base to drive growth for several years.

Telus

Telus (TSX:T)(NYSE:TU) is a solid dividend stock that provides attractive yield and tends to hold up well when the broader equity market takes a hit.

The company is a major player in the Canadian communications industry and continues to add new wireless, internet, and TV subscribers at a steady pace. Telus works hard to keep its customers happy, and the results show up in the industry-leading churn rate.

Telus is also building an interesting division to target disruption in the healthcare industry. Telus Health is already the Canadian leader in providing digital solutions for doctors, hospitals, and insurance companies.

Dividend growth should continue at a steady clip. The current payout provides a yield of 4.7%.

The bottom line

Royal Bank, TC Energy, and Telus pay attractive dividends that continue to grow and should all be solid picks to launch a self-directed TFSA income portfolio. If you have some cash sitting on the sidelines, these stocks deserve to be on your radar.

CATEGORY

1. Bank Stocks
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2. NYSE:TU (TELUS)
3. TSX:RY (Royal Bank of Canada)
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5. TSX:TRP (TC Energy Corporation)

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aswalker