Canadians: Give Yourself a Raise With This High-Yield Stock

Description

Canadian savers are the luckiest in the world. While other countries, like the United States, force their citizens to pay high taxes on investments, Canadians can grow their wealth more cheaply in Tax-Free Savings Accounts (TFSAs).

Reliable, high-dividend financial services stocks on the Toronto Stock Exchange are an excellent option for Canadian savers. Why put money in a low-yield mutual fund when you can buy the financial stock and collect compounded interest on the dividend yield instead?

Here is one great dividend payer every Canadian should own and another you may want to overlook.

IGM Financial

IGM Financial (TSX:IGM) is an investment advisory subsidiary of the prominent **Power Financial**. In addition to financial advisory services, the firm provides portfolio management and insurance products through a network of consultants and strategic institutional distribution channels.

Canadians should invest in IGM for its reliable 12.25% annual return, including both dividends and capital gains. In the past 12 months, IGM performed reasonably well on the TSX, climbing 6.3% for the year. Combined with the generous dividend yield of 5.95%, Canadians would be hard-pressed to find a better investment than IGM.

IGM boasts a levered free cash flow of nearly $1 billion, and the protection of one of Canada's most profitable diversified holding companies. These luxuries mean that shareholders are afforded high growth in annual returns year over year. Since 2002, IGM consistently grew dividends at an average yearly rate of 9.5%.

Keg Royalties Income Fund

Keg Royalties (TSX:KEG.UN) is not the best investment a Canadian can make in their TFSA.

Although the fund issues a 6.89% dividend yield to shareholders annually, the open-ended trust invests in low-earning restaurants and bars.

Because Keg Royalties is in a sector of the economy subject to volatility during economic recessions, Canadians may want to pass on this dividend payer.

Even though Keg Royalties has a trailing annual dividend yield of nearly 7%, the stock has a low diluted earnings per share (EPS) of $0.83. Moreover, quarterly earnings growth year over year is negative 28%. Canadian savers should look for positive earnings growth.

The above-average dividend yield is enticing, but the stock has been on a downward trajectory since hitting a high of around $23 in June 2017. Likely, this stock is still correcting — and with recessionary fears renting out the news headlines, the restaurant business is not likely to see strong price performance on the TSX.

Foolish takeaway

TFSA investors can easily self-manage their investment portfolios. There are many reliable dividend payers on the TSX that offer liquidity through a history of dependable price performance. It is not difficult to identify and avoid risky industries, like restaurants, that may become less liquid in times of economic stress when you most need your savings.

Every Canadian should identify a few reliable high-dividend stocks with a history of genuinely rewarding long-term shareholders. Power Financial and its subsidiary, IGM, demonstrate a strong history of paying out generous dividends.

Instead of paying high fees to have IGM manage your retirement portfolio, invest in its stock tax-free and use the compounded interest to give yourself a raise.

CATEGORY

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TICKERS GLOBAL

1. TSX:IGM (IGM Financial Inc.)
2. TSX:KEG.UN (The Keg Royalties Income Fund)

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