3 Stocks I Wouldn't Put in My TFSA

Description

There are many good dividend stocks out there that would be great for a TFSA, but there are also many stocks that investors may be better off avoiding, at least for now. Below are three stocks that I wouldn't put in my TFSA today.

Crescent Point Energy Corp (TSX:CPG)(NYSE:CPG) has been making some solid progress this year and the stock is up around 50% since January. However, the last time the stock climbed to near the $6 range, it ended up falling down again.

While that doesn't mean it'll happen again this time, it's reflective of the risk that's involved with investing in Crescent Point. This is still the stock that has lost close to 40% of its share price in just two years.

With Crescent Point paying a dividend of $0.01 every quarter, it's barely a dividend stock at this point, with a yield of less than 1%. There's not much in dividend income, and there's also the risk that the stock could see a correction.

Until Crescent Point can produce consistently profitable numbers, it'll be hard to make a case that the stock isn't more than a speculative buy. There are simply better options out there for investors for Crescent Point to warrant much consideration today.

Vermilion Energy (TSX:VET)(NYSE:VET) is another dividend stock I'd avoid. It's at the completely opposite end of the spectrum, with a dividend yield 12% per year.

However, as high as the dividend yield is, it's also very risky. I'd hesitate to put any stock yielding even more than 8% into my TFSA, let alone 12%.

While the dividend doesn't appear to be at any imminent risk of being cut, that doesn't mean it won't be later on. The company's profits have been very volatile and it could just take one really bad quarter to have Vermilion reconsidering its dividend payments.

When it comes to a TFSA, the last thing you want to worry about is whether your dividend stock is in danger of being cut and having to always check on it.

Unless things drastically change in oil and gas where the outlook becomes a lot more bullish for the industry, Vermilion's also a stock I'd avoid for the time being.

Canadian Tire Corporation Limited (TSX:CTC.A) may appear to be a surprising choice for this list. However, as impressive as the company's rate of dividend growth has been in recent years, it's not nearly as impressive had the dividend yield been higher to begin with. Even after all the rate increases, Canadian Tire stock is still yielding less than 3% today.

The yield is just not nearly as attractive as that of others on the markets. In addition, retail is still a very risky sector in which to invest, and Canadian Tire just doubled down with its recent acquisition of Party City.

While the move could lead to more growth in the short term, it creates more exposure and risk for the company as well.

In order for the dividend hikes to continue, we'd have to see strong sales growth from Canadian Tire, and I'm just not optimistic that's going to be the case, especially if we're heading into a recession.

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1. Dividend Stocks
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2. NYSE:VRN (Veren)
3. TSX:CTC.A (Canadian Tire Corporation, Limited)
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