A Great Dividend Stock That You Can Hold in Your TFSA for Decades

Description

Canadians have two primary types of investment accounts: registered and non-registered. Registered investment accounts are attractive because they often offer favourable tax implications.

The two most-popular are the Registered Retirement Savings Plan (RRSP) and the Tax Free Savings Account (TFSA). Each has their advantages and your selection which be based on your individual tax situation.

There are however, some more commonly used best-practices. For example, investors prefer to hold their U.S. dividend stocks in an RRSP because there is no withholding tax.

Similarly, high-growth stocks are best kept in the TFSA. Why? An RRSP is not tax free; it's tax deferred, which means that you will pay tax on your income once you start withdrawing come retirement.

On the other hand, there are no tax implications in the TFSA. If a stock rises by 1,000%, you get to keep those gains and withdraw tax-free — an attractive proposition.

With this in mind, if you have a dividend growth strategy, it's best to hold your high-growth stocks in your TFSA account. A good example of such a stock is **goeasy** (TSX:GSY).

Goeasy is a non-prime leasing and lending services financial company. It operates in two segments: easyhome and easyfinancial. The former is the company's legacy business and provides stable and reliable cash flows that allow it to grow its easyfinancial business. Thus far, the results have been phenomenal.

Over the past five years, goeasy's stock has jumped by 182%, which is equal to a 36% average annual growth rate. This ranks it as one of the best financial stocks on the Index.

Taking this a step further, the company was also ranked #14 on the inaugural TSX30 list, which tracks the 30 top performing **TSX** stocks over a three-year period.

Year to date, it has also been one of the best-performing stocks on the TSX Index, as its stock price has returned a whopping 71%!

The company's meteoric rise is hardly surprising. The company had been trading at a pretty steep discount to its expected growth rates.

Over the past five years, the company has grown earnings by an average of 31.63% annually. Trading at an average P/E in the low teens, its stock price simply wasn't keeping up with expectations.

Despite its run-up, however, the company is still cheap. Once again, analysts expect the company to post 30% average annual earnings growth, giving goeasy a P/E to growth (PEG) ratio of only 0.45 based on its current P/E of 13.68. This is a clear sign of undervaluation.

Not only is the company cheap, but it's also on the verge of becoming a Canadian Dividend Aristocrat. Aristocrats are companies that have grown the dividend for at least five consecutive years.

Goeasy last raised its dividend by 37% this past March, marking its fifth year of dividend growth.

Once it officially becomes an Aristocrat in 2020, two things will happen: funds that track the Index will add goeasy's stock to their holdings and the company will also start to show up on dividend-growth screens. This will increase the company's profile and liquidity, both of which are positive catalysts for the company.

The company currently yield's 1.91%, and has raised the dividend by at least 20% over its five-year streak. Given its growth rate, it won't take long for investors yield on cost to shoot up north of 3%.

Foolish takeaway

Goeasy has a long runway ahead of it and is the perfect stock for your TFSA. With over 30% expected growth rates, a rising dividend and trading at cheap valuations, goeasy is a rare triple threat.

A triple threat is a stock that can fit any of the three stock types: income, growth and value. By holding your goeasy stock in your TFSA, you can watch your wealth grow tax free.

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