TFSA Dividend Stock Ranking: 3 Top Picks With Dividends up to 5%

Description

There are income stocks on the TSX that are suited for TFSA users. But when choosing, you should pick strong stocks that are paying at least 4% dividends. Over the long run, your overall total return could be 219% or more.

If I were to give a dividend stock ranking, three names from different sectors stand out.

Top one pick

Canadian Imperial Bank of Commerce, or CIBC, is not the top pick just because it pays the highest yield in the banking sector. Besides being the most generous dividend payer versus industry peers, the fifth-largest bank in Canada has been paying dividends for 151 years.

To some TFSA users, you only need this bank stock to reach a $1 million TFSA balance. If your investment horizon is 30 years, a $230,000 investment could grow to a million with the 5.03% yield.

The moment you park your money at CIBC, you gain an instant hedge against inflation as well as protection from a recession. A dividend stock that offers both on top of sustained dividend payouts deserves to be number one in your portfolio.

Top two pick

Telus (TSX:T)(NYSE:TU) is another sound investment choice that merits the second pick. This $26.99 billion telecom community is one of the three industry pillars. It’s the third largest as well but boasts of a dividend growth streak of 15 years.

Furthermore, the dividend growth for the last five years is 9.08%. This kind of dividend growth is what you need as a TFSA user. There is a strong likelihood that Telus can pay the 4.67% dividend for decades to come.

The company has been averaging $13 billion in revenue and $1.4 billion in net income over the last four years. Telecommunications products and services in Canada are necessities and not luxuries. Hence, the Wireless and Wireline segments of Telus will continue to generate cash flows.

Telus also provides managed information technology, cloud-based services, business security solutions, and healthcare solutions, among others. **Walmart** Canada is now the partner of Telus Health through its next-generation pharmacy management solution.

Top three pick

Canadian Utilities (TSX:CU) is my third top pick and a must-have in any TFSA portfolio. This utility stock holds the distinction of having the longest dividend-growth streak (47 years) in the sector.

If you have $50,000 to invest in Canadian Utilities, its 4.2% dividend could create an annual passive income of $2,100, or a monthly stipend of $175. Your capital is not at risk, since the stock is also recession-proof.

Retirement planners, in particular, are after a company with a low-risk business model and strong earnings growth. Canadian Utilities possesses both. Since the business is stable with no constraints, earnings can adequately support dividend payments. You have a worry-free investment regardless of market conditions.

Canadian Utilities is an investment for the long haul. This utility stock will be around for decades to provide you the active income in your later years.

High-quality portfolio

CIBC, Telus, and Canadian Utilities are the hands-down choices if your goal is to create a high-quality stock portfolio within your TFSA. Buy and hold the stocks to receive a steady income stream for as long as you wish.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:T (TELUS)

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