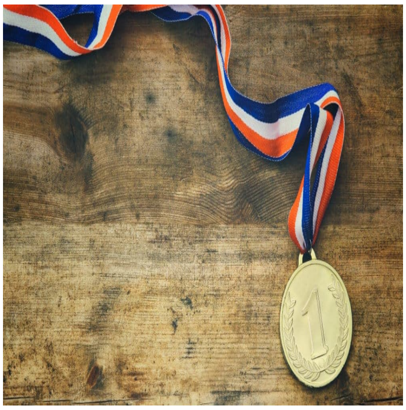

TFSA Dividend Stocks: 3 Top Buys for 2020

Description

TFSAs are perfect for dividend stocks. Because you contribute to a TFSA using post-tax dollars — that is, earnings that you've already paid taxes on — you never have to pay taxes on it again. That includes dividend taxes, which could reduce your earnings power by as much as 30%.

With dividend stocks, you can create a passive-income stream to support daily expenses or reinvest back into the market. When there are no taxes involved, it's almost like free money.

Which dividend stocks should you buy, and how much could you earn? Here are the top-ranked TSX dividend stocks for 2020.

Sweet as candy

Rogers Sugar (TSX:RSI) pays an impressive 7.4% dividend. That's not surprising considering the company was originally established as an income vehicle to distribute the profits of a sugar plantation. The stock has paid a dividend in the range of 5% and 6% for years, but due to a recent share price decline, the yield has jumped to a multi-year high.

Rogers Sugar still operates a traditional sugar plantation and processing operation, but to diversify revenues and protect future revenue streams, it's expanded into other refined sugar products, such as maple sugar. As with any other commodity, maple sugar has its share of pricing volatility, but as a higher value-added product, it's capable of superior margins.

The recent share price decline stems from the termination of this year's beet crop. Management recently determined that "severe snow and frost damage has resulted in an inability to store or process the unharvested damaged sugar beet crop." This is a huge short-term blow, yet doesn't diminish any of the company's long-term promise. The latest market over-reaction allows you to scoop up an outsized yield at a discount.

Preparing for the future

Canadian Utilities (TSX:CU) has delivered power to Canada for years. This year, it made the decision to sell its entire fossil fuel portfolio. The move wasn't necessarily environmentally focused. Instead, management made the decision based on economics and visibility. Renewable fuel sources are increasingly cost superior to fossil fuels, and due to ramping regulation, offloading this part of the portfolio eliminates future uncertainty.

The market seems to appreciate the transition, pushing the stock price close to an all-time high this month. Still, the dividend offers a respectable 4.4% yield. Canadian Utilities is now one of the best positioned utilities in Canada, so expect both stability *and* growth from this payout.

Invest early

Boyd Group Income Fund (TSX:BYD.UN) might be a surprising pick on this list given it only pays a 0.3% dividend. But it's not on this list for its current payout. This is a chance to get in on a dividend all-star *before* it's recognized by the market.

Boyd has spent years rolling up the collision centre market in both Canada and the U.S. Most collision centres are run by small, local operators with few exit opportunities. As one of the only buyers in the space, Boyd can pay attractive prices and then strip out a tonne of costs by integrating into its larger network.

Management has rightfully reinvested the vast majority of its capital to fuel growth opportunities, but over time, it should transition toward a dividend model. Last year, it generated $155 million in free cash flow. If it paid this sum out, it would equate to a 4% dividend yield. Considering free cash flow grew 50% year over year, this could soon become Canada's top dividend-growth stock.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)
2. TSX:RSI (Rogers Sugar Inc.)

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