TFSA Investors: 3 Rock-Solid Yields Paying up to 7.9%

Description

The vast majority of dividend stocks fall into two groups. The first group pays barely above 1-2% yields and are therefore not very exciting. Others pay a much higher yield, but the payout is shaky.

There's a small group of companies in that between zone — businesses that not only pay attractive dividends but also come with solid underlying fundamentals. This ensures the business grows over time, which makes the dividend all the more secure. In fact, investors who put their cash to work in these stocks can expect periodic dividend raises over the long term.

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Let's take a closer look at three such companies today — the kinds of stocks you'll want to hold for a long time based on their dividends alone. The potential capital gains are just a bonus.

Capital Power

Capital Power (TSX:CPX) is the owner of 25 different power plants across North America, facilities that can generate a combined 6,000 MW of energy. The company has successfully transformed itself from a largely coal-based plant operator to something much greener, with the remaining coal facilities in its portfolio fully converted to natural gas over the next few years.

Meanwhile, Capital Power has been growing, both by buying existing assets and building its own. It has spent an average of $650 million each year on growth since 2012 — assets that are expected to add $600 million in EBITDA to Capital Power's bottom line in 2019.

Despite this successful diversification effort, Capital Power's valuation is still at a dirt-cheap level. Shares trade at just 7.4 times 2019's estimated adjusted funds from operations, a valuation that is much lower than most of its peers. Shares are also cheaper than comparable companies on a price-to-book value perspective, too.

Capital Power pays a $1.92 per share annual dividend, which is a dividend yield of 5.8%. The stockhas a history of dividend growth behind it, and management has already promised 7% dividendincreases in both 2020 and 2021.

Extendicare

Canada's aging population is a big demographic trend. A giant glut of more than nine million baby boomers are rapidly approaching old age — folks with the kind of wealth that can afford the best care.

This bodes well for **Extendicare** (TSX:EXE), one of Canada's largest owners and operators of long-term-care homes, retirement residences, and home health services. Most of Extendicare's revenue today comes from its long-term-care division, but the retirement residences part of the company offers a pretty exciting growth opportunity going forward.

The company is also in the middle of a program that allows it to upgrade long-term-care facilities to get a better funding structure from the government — an initiative that provides a solid return on investment.

Extendicare pays investors a $0.04 per share monthly dividend, which works out to a yield of 5.8%. The distribution is well covered by earnings, so investors don't have to worry about a dividend cut.

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Rogers Sugar

I've saved the best dividend for last. **Rogers Sugar** (TSX:RSI) shares yield an eye-popping 7.9%.

Investors like the sugar business because its steady, there's no risk of new competition upsetting the incumbents, and it generates plenty of cash flow. In fact, sugar consumption is slowly increasing in Canada, despite nearly everyone trying to cut back on the stuff.

Rogers shares have been beaten up lately on poor results from its maple syrup business. The company's sugar beet crop was also adversely impacted by poor weather in southern Alberta, which could impact earnings from that part of the company too. Investors have responded by sending shares lower to levels last witnessed back in 2016.

This looks to be a temporary issue, and Rogers should be back on track in a year or two. In the meantime, investors are treated to one of the best dividend yields on the entire Toronto Stock Exchange. The stock yields 7.9% today — a payout that has been maintained since 2011.

The bottom line

These three dividends are the kinds of payouts that can turn your TFSA into a real cash flow machine. You can then sit back, relax, and slowly reinvest those dividends into something truly magical. In fact, these three stocks might even be enough to make you a TFSA millionaire.

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2. TSX:EXE (Extendicare Inc.)
3. TSX:RSI (Rogers Sugar Inc.)

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