3 TFSA Dividend Stocks to Buy in December

Description

Dividend stocks are popular with a wide variety of investors. They deliver regular cash income that can be used for everyday spending. If you don’t need the money right away, you can reinvest it to buy even more stock, which boosts your net worth *and* increases the value of your dividend stream.

There’s only one problem: taxes. In Canada, dividend taxes can reach 30%, putting a big dent in your passive-income stream. Fortunately, there’s a proven way to keep your dividends in full.

Tax-Free Savings Accounts, often referred to as TFSAs, are perfect for dividend stocks. Because they shield you from both capital gains *and* dividends taxes, you get to keep your earnings no matter how they’re generated. And because you can withdraw from a TFSA at any time for any reason, you can still use your dividend payments for any purpose, whether its supplementing your mortgage payment, building a vacation fund, or buying yourself a holiday present.

If you have a TFSA and want to fill it with income-generating stocks, the following picks are for you.

A Canadian powerhouse

Enbridge (TSX:ENB)(NYSE:ENB) is a Canadian icon. Founded in 1949, it’s now the largest pipeline operator in North America, generating more than $30 billion in annual revenue with its 11,000 employees. As Enbridge has grown, investors have gotten rich. Since 1995, the stock price has increased by 1,200%. And that’s not even including dividends.

When it comes to dividends, Enbridge leads the way. The stock currently yields 5.9%, but earlier this year, the payout briefly surpassed 7%. The dividend rate is clearly above the market average, but what’s most impressive is its growth. The company has boosted the payout every year for nearly two decades. In fact, Enbridge has boosted the payout for almost 40 quarters straight.

If you want a Canadian-made dividend that’s more than double the market average and can continue to grow over time, Enbridge is the ideal choice.

Outside the box

Sometimes, it pays to think outside the box. Most investors haven't heard of **Chemtrade Logistics Income Fund**, but long-term investors in the stock likely don't care. For more than a decade, shareholders have received a dividend averaging 10% per year.

Chemtrade was originally established as an income-generating vehicle to distribute the profits from its chemicals business. The underlying business has several low-cost positions in niche industrial chemicals that often have offsetting pricing movements. In reality, this means Chemtrade has been able to generate sustainable cash flows year after year to support its sky-high dividend, which just recently hit 11%.

Grow your income

Enbridge has proven the power of dividend growth, but with a valuation of $100 billion, its best days may be over. If you want to buy a dividend-growth stock *before* it's an income all-star, take a look at **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP).

Brookfield owns major infrastructure projects, including railways, seaports, and energy facilities. The thesis behind owning these assets is simple: as populations grow, demand for infrastructure increases. As long as populations continue to rise, Brookfield will find a way to capitalize.

It doesn't even matter where the population growth occurs, considering Brookfield owns assets all over the world. The current dividend stands at just 2.7%, but the United Nations expects global populations to continue rising until at least 2100, so there should be plenty of growth ahead. In many ways, this looks like buying Enbridge just as it was entering its golden years.

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1. Dividend Stocks
2. Investing

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Date
2025/08/27
Date Created
2019/12/04
Author
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