Transform a Basic TFSA Into a $1,130 Per Year Cash Machine: Here's How

Description

Hi, Fools. I'm back to highlight three top dividend growth stocks. As a quick reminder, I do this because businesses with consistently increasing dividend payouts can guard against the harmful effects of inflation by providing a rising income stream; and tend to outperform the market averages over the long haul.

The three stocks below offer an average dividend yield of 3.8%. Thus, if you spread them out evenly in an average $30K TFSA account, the group will provide you with a growing $1,130 annual income stream.

Let's get to it.

Bankable choice

Leading things off is financial services giant **Bank of Montreal** (TSX:BMO)(NYSE:BMO), which has grown its dividend at a rate of 30% over the past five years.

The shares have slipped over the past week, providing value-oriented Fools with a possible buying opportunity. In the most recent quarter, EPS of $1.78 missed expectations by $0.60 as revenue clocked in at $6.1 billion.

Management also unveiled plans to cut 5% of its workforce, leading to a $357 million restructuring charge. On the bullish side, management's growth targets are still very much in place.

"Our financial objectives remain unchanged," said CEO Darryl White. "Our goals over the medium-term are to achieve average earnings per share growth of 7%-10%.

BMO shares sport a forward P/E of 10 and boast a dividend yield of 4.3%.

Rolling along

With a dividend that has more than doubled over the past five years, retail giant **Canadian Tire** (TSX:CTC.A) is next up on our list.

Canadian Tire's reliable dividend growth continues to be underpinned by scale advantages (over 1,700 locations across Canada), an iconic brand, and a growing e-commerce segment. In the most recent quarter, normalized EPS increased 10% on revenue of $3.6 billion.

Thanks to that strength, management boosted the dividend 9.6%.

"Our business is performing well and as one of Canada's largest eCommerce retailers, having generated more than $500 million in sales in the last 12 months, we are exceptionally well positioned as we head into our customers' biggest spending season," said CEO Stephen Wetmore.

Canadian Tire currently offers a dividend yield of 3.1%.

The good life

Rounding out our list is life insurance giant **Manulife Financial** (TSX:MFC)(NYSE:MFC), which has boosted its dividend at a rate of 75% over the past five years.

Manulife's impressive payout growth continues to be backed by strong operating efficiency, tremendous growth potential in Asia, and rock-solid fundamentals.

In the most recent quarter, EPS of $0.76 topped estimates by $0.03 as total new business value improved 16% to $526 million. Management even said they might buy back 58 million shares, representing 3% of its outstanding shares.

"We continued to execute against our strategic priorities, with portfolio optimization initiatives announced to date resulting in a cumulative capital benefit of $3.9 billion," said CEO Roy Gori. "We also expanded Manulife's distribution capabilities across our global footprint, entering into long-term partnerships in mainland China and Vietnam."

Manulife currently offers a dividend yield of 3.9%.

The bottom line

There you have it, Fools: three top dividend growth stocks worth checking out.

As always, they aren't formal recommendations, but simply a starting point for more research. The breaking of a dividend growth streak can be especially painful, so plenty of due diligence is still required.

Fool on.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CTC.A (Canadian Tire Corporation, Limited)
5. TSX:MFC (Manulife Financial Corporation)

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