TFSA Investors: Buying These 2 Stocks With Your New Contribution Room Could Earn You More Than $525 in 2020

Description

2020 is finally here, and with it comes $6,000 of additional contribution room for all Canadian investors in their Tax-Free Savings Accounts (TFSAs).

Since TFSAs are such a great way for investors to grow their savings, it is key to invest the money as soon as possible in order to start growing and compounding the income promptly.

While there are a few great stocks investors can consider, there are two high-quality and high-yielding companies that together, with a $6,000 investment split between them, as of their closing prices on December 31, 2019, would yield investors more than $525 by the end of 2020.

The two high-yield stocks to consider are **Pizza Pizza Royalty** (TSX:PZA) and **Surge Energy** (TSX:SGY).

Pizza Pizza

Pizza Pizza Royalty is a stock that is well-known among dividend investors. The company was created to pay out basically all the money it earns from collecting its royalty, after it pays the expenses to run the fund.

The royalty payments come as a percentage of sales from its Pizza Pizza and Pizza 73 franchises across Canada.

The cash it receives is consistent for the most part, with only small fluctuations each quarter based on spending trends in its restaurants and the industry as a whole.

Lately, investors have had growing concern over Pizza Pizza's dividend, but the company has proven to be resilient and well managed, using its cash reserve to make up the small excess of the dividend payment it's needed to cover when the payout ratio has slightly exceeded 100%.

The sales have essentially been flat though the last few years, and the dividend-payout ratio is just barely exceeding 100%, so there is no need for investors to panic, and the increased fear has created a rewarding yield and big opportunity for income seekers.

Today, the dividend yields 8.76%, so a $3,000 investment would yield you more than $260 by year end.

Surge Energy

Surge Energy is a small-cap oil producer in Western Canada with a market cap of just $375 million.

It's a very well-run and low-cost producer that has been growing its production and paying out a tonne of its cash from operations to shareholders.

The company can sustain the dividend as long as the price of oil stays above $55 WTI, so although the yield is high, it's currently still quite safe.

Going forward in 2020, it expects to produce more than 20,000 barrels of oil equivalent per day, with 86% of its production being liquids. It also estimates it will reduce its net debt by about $20 million and will have an all-in payout ratio of 86%.

Like Pizza Pizza, a $3,000 investment would yield more than $260, and its dividend is almost identical at 8.77%.

The energy industry is always slightly higher risk, since the industry's profits are entirely based on commodity prices. With that being said, Surge is a quality low-cost operator, so as long as you are investing for the long term, your capital will be well protected.

Bottom line

Both stocks come with more risk than some of the larger blue-chip dividend payers, but investors are compensated for that risk with more rewarding yields.

In my opinion, at the moment, both stock's yields are slightly higher and more rewarding than the risk that comes with them, making them attractive investments from an income perspective that could earn you more than $525 in passive income this year.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:PZA (Pizza Pizza Royalty Corp.)
2. TSX:SGY (Surge Energy Inc.)

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