2020 TFSA Contribution Room: 3 Dividend Stocks I'd Buy With $6,000

Description

You may have been waiting all year long for this! On January 1, 2020, once again, Canadians got $6,000 of new TFSA contribution room, which equates to a cumulative TFSA contribution limit of $69,500 since the start of the program in 2009.

Your TFSA contribution room would be greater if you had withdrawn from a TFSA account in previous years but had not put the amount back in.

In any case, investing in solid dividend stocks backed by wonderful businesses is a great way to start a prosperous new year. Here are three monthly dividend stocks I'd buy with the $6,000 of TFSA contribution room.

A&W

A&W Revenue Royalties Income Fund (TSX:AW.UN) pays a monthly cash distribution that's close to a yield of 5% at $38 and change per unit.

Its track record of dividend payments is strong. Since 2005, A&W has increased its payout by about 76%, or an annualized increase of 4.15%.

If you hold A&W units in a non-registered account, you'll be paying higher taxes for its non-eligible dividends. Therefore, holding A&W in a TFSA is the perfect solution to shelter the safe and juicy monthly income.

A&W receives royalty fees that are 3% of the sales of 971 A&W restaurants across Canada. Due to its quality ingredients, friendly service, and cheap eats, investors can rely on A&W's cash flow to be resilient in recessions.

Therefore, you can also count on its secure dividend.

The stock is a great value for your TFSA bucks today, as it's still a good way off from its mid-2019 highs, trades at a reasonable multiple, and has a stable growth profile.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) may not be a darling in the energy infrastructure space whose headlines are dominated by bigger players like **Enbridge** and **TC Energy**. However, Pembina is a darling in my TFSA dividend portfolio.

The monthly dividend stock is still a marvelous buy despite the stock rising 16% in the last 12 months. The reason? In late 2018, the stock market experienced a correction, which also dragged down Pembina stock by 15% from its high. In reality, the stock of the stable business simply reverted to its pre-correction levels.

Pembina is actually more attractive than it appears on most finance websites, which show the stock with a yield of 5%. The company's forward yield is actually closer to 5.3% after it announced a 5% dividend increase; the bigger monthly dividend will begin to pay out in February.

Pembina has a strong track record of bringing projects into service on time and on budget. Recently, it placed $440 million of projects online. In 2020, it plans to put $1.1 billion of projects on stream.

Combined with the Kinder Morgan transaction, Pembina estimates adjusted EBITDA of $3.25-$3.55 billion this year. Stable growth means more predictable dividend increases to come!

SmartCentres REIT

SmartCentres REIT (TSX:SRU.UN) is the best retail REIT on the **TSX** to buy right now. It offers the most value for the most pronounced prospects!

At $30 and change per unit as of this writing, the REIT trades at a multiple of about 13.7, a decent valuation for the stable monthly passive income generator.

Some retail REITs are in trouble with tenants going bankrupt, but SmartCentres REIT is smart. It had the foresight to forge strong relationships with **Walmart** and partnered with the retail leader in a joint venture more than 20 years ago. To this day, Walmart stands as SmartCentres' top tenant.

SmartCentres' portfolio occupancy is super strong at about 98%. Moreover, it has experienced same-property net operating income growth of 1% to 1.5%. Further, the REIT has intensification growth opportunities in 256 development projects across 94 properties.

SmartCentres REIT's cash distributions are comprised of a mix of other income, capital gains, and return of capital, which are taxed at higher rates than eligible dividends in non-registered accounts. Therefore, registered accounts, such as TFSAs, are the perfect place to shelter its awesome yield from taxes.

As of this writing, SmartCentres provides a juicy yield of 6%!

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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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