TFSA Users: 3 Dividend Stocks for Tax-Free Income the Canada Revenue Agency Can't Touch!

Description

If you want to earn dividends without paying *any* taxes on them, a Tax-Free Savings Account (TFSA) is your best friend.

Giving you the ability to grow your investments *and* withdraw the proceeds tax-free, it's the best tax-saving account you can open. While RRSPs let you grow your investments tax-free, the taxman ultimately does come knocking when you withdraw funds. That's not the case with TFSAs, which makes them better than RRSPs for investors who plan to withdraw funds before they retire.

However, having a TFSA is just half the battle. Once you've opened your TFSA, you need to know what to hold in it. This is a bigger part of the equation than it seems. If you lose money on TFSA investments, then the account becomes more a negative than a positive, because TFSA losses can't be used to offset capital gains taxes.

For that reason, it's a good idea to hold dividend stocks in your TFSA that will pay you income no matter what the markets do. The following are three stocks that will do that for you.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is one of Canada's biggest energy companies. It operates the biggest pipeline network in North America, shipping crude oil and LNG all over the continent. Energy stocks in general haven't done that well since 2014, and ENB is no exception: its stock is down over a five-year period.

However, that's likely the by-product of negative investor sentiment rather than fundamentals. From 2015 to 2018, Enbridge grew its earnings from $250 million to $2.8 billion. It also increased its dividend every single year in that period. The stock currently yields 6.22%, meaning you'll get $4,322 in annual income on a $69,500 position in it.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one of Canada's largest utility companies. It provides electricity to customers in Canada, the United States, and the Caribbean. As a utility, it enjoys an ultra-safe revenue stream that makes it especially recession-resistant. And the proof is in the pudding: the company has raised its dividend every single year for the past 46 years, a long period that has included several recessions.

Currently, Fortis is embarking on a $18.3 billion capital-expenditure project aimed at increasing rate base. The project will upgrade aging infrastructure and connect remote northern communities to its transmission system. This program will undoubtedly increase revenue, although it will also increase Fortis's debt level. At any rate, Fortis stock currently yields 3.5% and management is aiming to raise the payout 6% a year over the next five years.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) has been one of Canada's best-performing banks over the past decade. Owing to its fast-growing U.S. retail business, it has outperformed other Canadian banks on most relevant growth metrics.

This year, the bank faced its first major challenge in the U.S. since the recession, as no-fee trading threatened to strip its **TD Ameritrade** investment of trading revenues. In the end, **Charles Schwab** bought out TD Ameritrade in a deal that will give TD a 13.4% stake in Charles Schwab.

The Charles Schwab deal is probably mostly good news for TD. While the ideal situation would have been for no-fee trading to have never happened, the fact is that Schwab was less reliant on trading fees than TD Ameritrade was. So, TD's new Charles Schwab shares will be better than AMTD would have been. And regardless of how all this plays out, TD is undoubtedly a great dividend play, with a 4% yield and a low payout ratio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:ENB (Enbridge Inc.)
5. TSX:FTS (Fortis Inc.)
6. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/09/18
Date Created
2020/01/11
Author
andrewbutton