TFSA Investors: 3 Dividend-Growth Stocks to Build Your Portfolio Around

Description

If you're looking to set and forget your Tax-Free Savings Account (TFSA) to just sit back and collect dividends, the best way to do is through stocks that hike their dividend payments. They'll ensure that inflation doesn't erode your dividend income and can ensure that your returns increase over the years. Below are three growing dividend stocks that are great options to put in your TFSA today.

Canadian Tire (TSX:CTC.A) doesn't pay a terribly high yield today, as investors are currently earning about 3.1% per year in dividend income. However, the dividend has come a long way in just a short timeframe. Quarterly dividend payments of $1.0375 have more than doubled from the $0.50 that shareholders were receiving just five years ago. That comes out to an average compounded annual growth rate (CAGR) of 15.8%.

Over the long term, that's not a rate that investors should expect the retail stock to continue raising its payouts by. Once the dividend yield gets close to 4% or 5%, the company will likely start to slow down those increases. Otherwise, the dividend yield could become too high and unsustainable.

For now, however, it's a good opportunity for investors to take advantage of this growing dividend. Canadian Tire is one of the more stable retail stocks investors can hold, and its recent acquisition of Party City should help to add even more diversification and growth to its top line.

Enbridge (TSX:ENB)(NYS:ENB) is an even more attractive dividend stock, as it already pays a high yield of more than 6.1% per year. Even if the company didn't increase its dividend payments, the stock would still be one of the highest and safest dividend stocks that investors can invest in on the TSX today. However, Enbridge continues to raise its payouts and recently announced a 9.8% increase in its quarterly payments from $0.738 to $0.81.

Five years ago, Enbridge was paying its shareholders a quarterly dividend of $0.465. Since then, the company's dividend increased by 74% for a CAGR of 11.8%. It's a bit more of a realistic rate increase than what Canadian Tire averages, but it may still be a tad high.

What's encouraging is that even during the downturn in the oil and gas industry, Enbridge has continued not only paying but increasing its dividend payments. And that's why it's a good bet to continue to do so for the foreseeable future and why it's a solid blue-chip stock to build your portfolio around.

Fortis (TSX:FTS)(NYSE:FTS) is the safest dividend stock on this list to invest in. The utility provider has a strong business and lots of recurring revenue that will make it a strong buy, even during difficult economic times. Its dividend yield of 3.4% is a bit higher than Canadian Tire's, and it too has a strong track record for increasing its payouts.

Its quarterly payments of $0.4775 have increased by more than 40% from the $0.34 that Fortis was paying five years ago. That comes out to an average CAGR of just over 7%. It's a smaller rate of increase than the other two stocks on this list but it's also a lot more sustainable and gives investors a more realistic rate that they can budget into their expectations for the stock.

With a strong, profitable business that has operations in multiple countries and that provides consumers with a necessity, Fortis is one of the best and most reliable dividend stocks you can hold in your portfolio.

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2. NYSE:FTS (Fortis Inc.)
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