TFSA Investors: 3 Great Stocks Yielding Up to 8.3%

Description

Many investors stick growth stocks inside their TFSAs, but I prefer a different approach.

I'd rather own dividend stocks in my TFSA, for a few important reasons. If you buy and hold a growth stock for a number of years, you can easily defer taxes by continuing to hold. It makes more sense to stuff your TFSA with dividend stocks, since dividends are taxable.

It is also part of creating a dividend portfolio that can eventually support me in retirement, which is a big part of my long-term investing goals.

If you're interested in the same sort of thing, this article is for you. Here are three excellent dividend payers that would look good in your TFSA over the long term. These are stocks that look poised to continue their payouts for years – if not decades – to come.

Chorus Aviation

There are two parts to **Chorus Aviation** (TSX:CHR). The first, which isn't terribly exciting, is a regional airline that operates flights for **Air Canada**. It generates fairly predictable cash flow, without much growth. The much more interesting part of the business is the airplane leasing division.

Here's how it works. Chorus buys planes and then leases them back to regional airlines around the world. At the end of the lease period, Chorus is left with a plane that it can either lease again, sell, or add it to its own fleet. This business has grown by leaps and bounds since it was introduced in 2017; Chorus now has 60 planes leased to other airlines, and has agreements to lease additional aircraft to Air Canada.

In fact, Chorus is now the world's second-largest aircraft leasing company.

All this growth should translate into impressive results this year, with analysts expecting the company to deliver $0.85 per share in earnings. Remember, Chorus shares trade hands at a little over $8 today, putting the company at less than 10 times forward earnings. This is also good news for the security of the company's $0.04 per month dividend, which works out to a 5.9% yield.

Slate Retail REIT

For years now, **Slate Retail REIT** (TSX:SRT.UN) has traded at a far lower valuation than its peers. Although the stock is still cheap, this discount is beginning to change. If this trend continues, there's significant upside potential.

Despite owning some of the most stable assets out there – U.S. real estate anchored by grocery stores – Slate trades for less than 9 times trailing funds from operations (FFO). Comparable REITs in Canada trade at around 15 times FFO, while similar U.S. REITs have an even higher valuation still.

So, what gives?

There are two reasons for this. Firstly, Slate's balance sheet is a little stretched. It should pay down some debt. And secondly, investors don't like Slate's externally managed business model. I think both of these problems will get fixed over the long term.

In the meantime, investors can collect one of the safest 8.3% dividends out there. It has a payout ratio in the 70% range, which is better than many of its peers with lower dividend yields.

National Bank of Canada

After years of underperformance, **National Bank of Canada** (TSX:NA) has been an all-star lately. It trounced the rest of Canada's big banks in 2019, delivering a total return of close to 30%.

While the rest of its peers are delivering tepid earnings growth – especially from their Canadian banking operations – National Bank is doing much better. It grew total earnings by 7% in its most recent quarter, with earnings per share increasing 9% thanks to a share buyback program. The company is also seeing decent growth in its mortgage division, which has been an area of weakness for most of its peers.

National Bank is also getting more serious about expanding outside Canada. Its foreign operations increased their bottom line by 28% over last year's numbers, growing to about 10% of total earnings.

The company's dividend, which has been raised each year for a decade now, currently yields 3.8%. With a payout ratio just over 40%, the stock is poised to continue delivering 5%–8% dividend growth annually for a long time.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. TSX:CHR (Chorus Aviation Inc.)
2. TSX:NA (National Bank of Canada)

3. TSX:SGR.UN (Slate Retail REIT)

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