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

Description

In 2020, the Tax-Free Savings Account (TFSA) has a contribution limit of $6,000. The withdrawals from the TFSA, as we know, are exempt from taxes. So, how do you allocate your TFSA funds in 2020?

When the market is trading close to record highs, it is difficult to identify value stocks. So, is it time to consider high-yield dividend stocks for your TFSA portfolio?

A considerable amount of wealth created in the stock market has been attributed to dividend reinvestment, making these stocks attractive to income investors.

Income investments are far less exciting than high growth or tech stocks. However, they are also far less volatile and one can capitalize on the power of compounding to generate long-term wealth.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a favourite of income investors and one of North America's largest energy services company. Enbridge is well diversified and is a domestic giant with a market cap of $112.5 billion.

Enbridge is an energy infrastructure company with a wide network of crude oil, liquids, and natural gas pipelines. It generates close to 60% of sales from the United States and the rest from Canada.

The company's expansion projects include its Line 3 replacement program, the off-shore wind turbines in the North Sea as well as several other pipelines in North America. These replacement projects are expected to rake in $20 billion over the next two years.

In the last six months, Enbridge has gained 12.5%. However, shares are still trading at a reasonable valuation. The stock has a sales to market cap ratio of 2.22 and a forward price to earnings multiple of 21. What makes Enbridge an attractive income investment is its dividend yield of 6%.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) is one of the top players in the renewables energy space. The stock has gained a stellar 42% in the last year. Despite the bull run, however, TransAlta stock is trading at a forward price to earnings multiple of 21.5.

Comparatively, analysts expect company earnings to rise by an annual rate of 10.3% between 2020 and 2023. After accounting for TransAlta's dividend yield of 5.6%, we can see that the stock is not too expensive.

TransAlta is a domestic giant that operates, owns and develops renewable power generation facilities. It has an installed capacity of 2,400 megawatts and a portfolio of 40 facilities across 10 operating regions. Since its IPO, TransAlta has more than doubled its dividend payments.

Laurentian Bank

Another company with an enviable dividend yield is **Laurentian Bank of Canada** (TSX:LB). With a market cap of $1.87, LB flies under the radar and is not as popular as Canada's Big Five banks.

LB has a forward price-to-earnings ratio of 9.2. Comparatively, analysts expect company earnings to grow by 5.6% in fiscal 2020 and 6% in 2021. The stock is trading at a cheap multiple, especially after accounting for a forward dividend yield of 6.2%.

One of the major concerns for investors will be LB's high debt balance that currently stands at $11.93 billion and is 6.4 times higher than the company's market cap. LB has a dividend payout ratio of 69.5% and has increased payouts for the last 11 consecutive years.

With a price-to-book ratio of 0.81 and high dividend yield, this stock can be a solid wealth creator over the next few years.

CATEGORY

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:RNW (TransAlta Renewables)

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