



## TFSA Investor Stocks That Pay BIG Dividends

### Description

Tax-Free Savings Accounts (TFSAs) are perfect for dividends. Typically, your [dividend income](#) would be taxed heavily by the government. Inside a TFSA, however, these cash payments are tax free.

That's exciting news given that some stocks pay dividends of more than 10%. Just try getting that with a bank account.

All of the following stocks have been paying reliable dividends for years, sometimes decades. Looking at the decade ahead, each looks primed to generate market-leading returns for shareholders.

### Own this monopoly

**Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) has been a top dividend stock for more than two decades. Its yield currently stands at 5.7%, although it topped 7% as recently as 2019. In total, Enbridge has delivered reliable, market-leading dividends that have fuelled double-digit annual returns since 1995.

What's the magic behind this performance? The answer is surprisingly simple: Enbridge is a pipeline company.

Being a pipeline company has some incredible perks, as it's incredibly hard to become one. The barriers to entry for this industry are as high as they come.

Whenever an oil or gas company begins producing fossil fuels, it needs to find a way to ship it to a refinery. That's where the raw output is converted into sellable form.

From there, the refineries need to get the output to market, like a petrol station. Pipelines are by far the cheapest, fastest, and safest way to achieve all of this.

Unfortunately, pipelines cost billions of dollars to build. They're also most valuable when connected to an existing network of pipelines. Those that already have a large asset base therefore have the most capital to pursue new opportunities, not to mention the best chance to profit.

In total, these advantages allow Enbridge to produce serious cash flow, enough to fully fund its 5.7% dividend. With fossil fuel production in Canada continuing to rise, Enbridge's prospects should only strengthen.

## These dividends are huge

**Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)) is another dividend all-star, sporting a 13.7% yield. Before you think the payout is unsustainable, keep in mind that Chemtrade has maintained the same dividend rate for nearly 15 years. It wasn't even impacted during the 2008 global financial crisis.

Chemtrade's dividend is a natural result of its business model, which is structured as a distribution business. Chemtrade uses its large network to distribute speciality and industrial chemicals to customers throughout North America.

When it comes to distribution, scale is key. As one of the largest players, Chemtrade has been able to secure lower purchasing costs, the savings of which are passed onto customers, thereby improving their ability to maintain long-term relationships.

Management has no plans to reduce the dividend. They argue that its actually sustainable, and eventually, the market needs to boost its share price to reflect that realty. "Right now, it's not our intention to reduce our distributions," its CEO said on the latest conference call.

## Beat the market

**Boyd Group Income Fund** (TSX:BYD.UN) isn't your usual dividend stock. With a yield of just 0.3%, you need to do a little digging to realize its income potential.

Few companies have executed an industry roll-up as efficiently as Boyd. More than a decade ago, its founder realized that the collision repair centre market was extremely fragmented, dominated by independent players with only a handful of locations.

Boyd's mission was to consolidate the market, buy the competition at bargain prices, reduce overhead costs, and plug acquisitions into its ever-expanding network of locations. Over the last five years, the stock price has more than quadrupled.

While there's still a decade or more of growth ahead, as it controls an increasing share of the market, Boyd will gradually start to pivot toward income. While the yield is still puny, the dividend payout has actually increased steadily since 2008.

After earning roughly \$4 per share last year, management has room to increase the dividend more rapidly this decade.

With a 50% payout ratio, the yield would instantly quadruple. This is a long-term bet, but with a TFSA,

your capital gains *and* your income will be protected from taxes.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CHE.UN (Chemtrade Logistics Income Fund)
3. TSX:ENB (Enbridge Inc.)

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