TFSA Investors: 3 Safe Stocks That Pay up to 5.6%

Description

Dividend stocks can play a crucial role in providing your portfolio with not just cash flow but stability as well. And both can be important as the markets show signs of instability. Below are three stocks where Tax-Free Savings Account (TFSA) holders can invest in and collect a dividend without putting their portfolios in significant danger.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) pays a quarterly dividend of $1.46 after a recent hike, and investors can now earn an impressive 5.6% annual payout from holding shares of the Big Five bank stock. CIBC is coming off a first-quarter report where its reported net income was up 3% from the prior-year quarter, as it continues to show decent growth.

The company recently announced it would be slashing jobs and undergoing a corporate restructuring, as it looks to beef up its profits. The company's president and CEO Victor G. Dodig stated in the press release: "We are transforming our bank by leveraging our client-focused culture, optimizing our cost base, and strategically reinvesting our capital to deliver value to our shareholders, clients, employees and communities."

With a focus on cost cutting and driving up profits, CIBC is looking to be a very attractive dividend stock to put into a TFSA, especially with its high dividend yield.

Hydro One (TSX:H) is another good option for investors in search of a good dividend. The Ontario government is a major shareholder of the company, and while that may inhibit some of its potential growth, it also ensures that Hydro One will play it safe. Currently, the stock pays a dividend that yields around 3.5% annually.

Over the past four quarters, the company's profit margin has been around 10% at least, and its operating margins have been north of 15% in each of the past 10 quarters. During that time, Hydro One's revenue has also been fairly consistent, hovering between $1.4 billion in sales and under $1.8 billion. While that may turn off growth investors, for TFSA holders, the predictability makes it an attractive dividend investment to own.

Hydro One currently trades at a price-to-earnings multiple of 21 and less than two times its book value, which is a fair value for investors not looking to pay a big premium for a dividend stock.

A and W Revenue Royalties Income Fund (TSX:AW.UN) pays investors a monthly dividend of $0.159 for every share they own. That translates into a dividend yield of approximately 5.5% on an annualized basis. It's a solid payout for a fund that collects royalties from A&W restaurants. It's financials are normally pretty uneventful, and they're even more consistent than Hydro One's, although as more restaurants get added to the fund, the more its top line increases.

From sales of $34 million in 2016, the fund's revenue has grown to more than $44 million in 2019 for an increase of 30% over the course of three years. It's decent growth for the fund and is a good sign that the popularity of A&W is still strong.

For long-term investors, this could be a good stock to own, primarily for the dividend, and TFSA holders can enjoy tax-free income from it. Currently, the fund trades at 20 times its earnings and 3.5 times book value.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:H (Hydro One Limited)

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Date
2025/08/17
Date Created
2020/03/07
Author
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