TFSA Investors: How to Collect $6,850 a Year in Tax-Free Dividends

Description

While the equity markets are in turmoil, investors may want to limit their portfolio losses. Major Canadian indexes are down over 25% and could move lower if the coronavirus pandemic continues to take a toll on consumer spending. But bear markets provide investors an opportunity to buy stocks at a cheap valuation.

As stocks have lost significant value in the last month, dividend yields have risen considerably. Companies with robust cash flows can continue to pay dividends and are attractive investments in a volatile market.

Here we look at three such stocks for the income investor.

Enbridge has a dividend yield of 8.5%

Shares of Canada's energy giant **Enbridge** (TSX:ENB)(NYSE:ENB) are trading at $38 and have lost close to 34% in the last month. The sell-off in energy stocks, including Enbridge, has been exacerbated because of the oil price war between Russia and Saudi Arabia.

Enbridge's dividend yield stands at a tasty 8.5% and the largest North American fossil fuel pipeline operator is unlikely to lower its dividends in the near future.

Enbridge has increased dividends for the last eight consecutive years and in the last three years, its dividends have risen by 9.5% annually.

Enbridge transports 20% of natural gas shipments in North America and its huge market presence provides the firm with enough bargaining power.

The company is somewhat non-cyclical as it generates 98% of revenue from fixed-service contracts, thereby insulating Enbridge from falling commodity prices.

The largest methanol producer in the world

Methanex has grossly underperformed the broader markets. The stock is down 79% from its 52-week high and down over 60% in the last month. This company is the world's largest methanol producer — a product used across several industries.

Methanex is well diversified and generates revenue from several regions including China, Europe, the United States, South Korea, and South America. The stock has an annual dividend payment of $1.44 which indicates a yield of 11.9%.

Methanex has grown dividends for nine consecutive years and its annual dividend growth rate for the last three years is 7%.

Slate Retail REIT

Slate Retail REIT has a forward yield of 9.2%. This REIT acquires, owns and leases a portfolio of revenue-generating commercial real estate properties in the U.S. with a focus on grocery-anchored properties.

Slate REIT properties are located in 20 states south of the border and in tier two cities such as Atlanta, Charlotte, and Pittsburg. Slate owns 76 grocery-anchored retail commercial properties with a gross leasable area spanning 10 million square feet.

While several industries are reeling under the pressure of lower consumer spending, groceries remain vital to the survival of all humankind. This stock is down close to 37% in the last month but remains a solid-defensive pick for investors.

The total contribution limit for Tax-Free Savings Account Investors (TFSA) investors stands at $69,500.

In case investors allocate an equal amount to Enbridge, Methanex and Slate REIT the annual dividend payments will be around $6,850, which amounts to quarterly dividend payments of $1,712.

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2. TSX:ENB (Enbridge Inc.)

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Author
araghunath