



## TFSA Investors: Have an Extra \$6,000? Then Buy This Dividend Stalwart Today

### Description

Amid all the economic chaos, there are millions of fortunate Canadians whose financial lives haven't changed much. These folks continue to earn a steady paycheck, generate consistent savings, and have cash to invest in their RRSP and TFSA accounts.

Naturally, when putting this cash to work, investors are a little squeamish. They've just witnessed one of the most volatile markets in history, and there's still [plenty of risk out there](#). Stability is paramount today, and investors are positioning their portfolios accordingly.

With this in mind, let's check out one of Canada's most stable dividend stocks, a fantastic company that would look great in your TFSA. And, as a bonus, you won't believe the generous payout on this stock.

### A solid operator

Ever since 2014, when I first started following the stock, I've been impressed with the transformation going on at **Capital Power** ([TSX:CPX](#)).

Back then, the company was reeling as the Alberta government announced a ban on coal-fired power plants in the province, a rule that would be enforced by 2030. The vast majority of its assets were coal-fired power plants in Alberta. That wasn't what the market wanted to see, and shares sold off aggressively.

Management used the event to start a massive diversification program. Assets were either purchased or developed across North America, with a focus on natural gas, wind, and solar-powered facilities. Cash received from the Alberta government was also used to convert coal-fired plants to dual fuel, with capability to go 100% natural gas before the deadline.

These days, the portfolio consists of 28 different operating facilities generating nearly 6,500 MW of energy. The company also has several projects under construction that will add to the portfolio over time.

## The opportunity

Despite growing the portfolio significantly, investing smartly in the Albertan assets and keeping the balance sheet under control, Capital Power doesn't seem to get any respect from investors. It is one of the cheapest stocks on the Toronto Stock Exchange.

As I type this, Capital Power shares trade hands at a hair under \$26 each. Before COVID-19 threw the economy for a loop, the company told investors it projected adjusted funds from operations — a metric that reflects the company's true profitability better than net earnings — of approximately \$5 per share. That puts the stock at just over five times earnings.

One reason why shares are so cheap is the Albertan exposure. People are worried about the province's economic future, and rightfully so. But oil has bounced back nicely off the lows, and folks are still going to need power. Even if consumption is down a little lately.

## Get paid to wait

Capital Power pays one of the best dividends you'll find. It's the perfect choice to stash in a TFSA for a little [tax-free income](#).

The current payout is \$0.48 per share each quarter, which works out to a 7.5% yield. That's a solid payout.

You don't have to worry about the stability of the dividend, either. Management has already promised dividend increases for both 2020 and 2021 of 7% and 5%, respectively. With a payout ratio today of less than half 2020's projected adjusted funds from operations, the company can easily afford these hikes.

In fact, Capital Power has increased its payout every year since 2014. During that time it has upped the payout from \$0.31 to \$0.48 per share. That's more than a 50% increase.

## The bottom line

Capital Power is an excellent stock to stash in your TFSA. It offers a terrific dividend, growth potential as it adds new assets to the portfolio, and a killer valuation. Take advantage of today's current low prices to add this company to your portfolio today.

### CATEGORY

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2. Investing

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1. Editor's Choice

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