



TFSA Investors: 3 Safe Dividend Payers Yielding Up to 7.3%

Description

A fully stacked Tax-Free Savings Account (TFSA) can help you build massive wealth over time. Investors can allocate TFSA funds to dividend-paying stocks and benefit from the power of compounding. Reinvesting dividends can help accelerate increase your investment multi-fold.

Here we look at three companies on the **TSX** with an attractive forward yield that can be part of your TFSA portfolio.

The TFSA contribution room for 2020 stands at \$6,000, while the total contribution limit is \$69,500.

A Canadian energy giant

In an uncertain macro environment, it makes sense to invest in companies with decent yields and stable operations to support dividend payouts. One such stock is **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)), [the largest](#) oil and gas midstream company in North America.

Enbridge does not produce oil, but operates pipelines and terminals that transport gas and is integral to the supply chain. This means that the company is almost immune to commodity prices, but there is volume risk that might impact its top-line.

Enbridge generates over 95% of EBITDA from fee-based agreements, resulting in predictable cash flows. Despite the current slump in oil prices, this energy giant increased dividend payouts recently.

Enbridge stock has a dividend yield of 7.3%. In Q1, its distributable cash flow per share was US\$1.34, while dividends per share were US\$0.574. In 2020, the company expects a payout ratio of less than 50%, making it one of the top dividend stocks right now.

A utility heavyweight

The utility sector has come back into focus due to its defensive nature and stable cash flows.

Canadian Utilities

([TSX:CU](#)) is one company with a solid history of dividend payouts. It has in fact increased dividends in the last 48 years and has the longest streak among Canadian companies.

Due to its contracted and regulated nature of cash flows, Canadian Utilities is immune to economic downturns and recessionary environments. It generates 95% of adjusted earnings [from rate-regulated businesses](#), and this stability helps CU support dividend payouts.

Investors can expect Canadian Utilities to increase dividends going forward given the cost-saving programs and rate base growth. The utility behemoth has a dividend yield of 5.2%.

Canadian Utilities stock is trading 22% below record highs and has underperformed peer companies in this sell-off. Investors were worried about lower power demand and the company's midstream division that's been impacted due to the recent fall in oil prices.

A renewable energy player

Another TSX stock with a steady stream of cash flows is **Brookfield Renewable Energy Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). The company has increased dividends at an annual rate of 6% since 1999 and expects to increase these payouts at an annual rate of between 5% and 9% going forward.

Brookfield Renewable Energy has a resilient and recession-proof business. It generates clean energy and is part of a rapidly expanding market. Renewable energy is one of the fastest-growing verticals in the energy space.

Brookfield Renewable owns hydro, solar, and wind energy assets. It has 5,300 power generating facilities and supplies 19,300 megawatts of energy across 17 countries.

The company's diversified revenue streams are supported by long-term contracted agreements. Over 95% of Brookfield's power production is contract-based, which makes a dividend cut unlikely. Brookfield's forward yield stands at 4.5%.

The Foolish takeaway

The three stocks are large-cap companies with a huge market presence. They have strong fundamentals and survived multiple recessions. If you invest \$6,000 in each of these companies, you can generate over \$1,000 in annual dividend payments.

As these companies have a strong history of dividend increases, the \$1,000 figure can move higher in the upcoming decade.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:ENB (Enbridge Inc.)

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