TFSA Investors: How I'd Spend $6,000 on the TSX Today

Description

Investors who bet on a resurgence in Canadian stocks back in March have been rewarded. Discounts are becoming harder to come by on the TSX right now. That does not mean that there are not high-quality options available in this market. In late May, I'd discussed stocks that TFSA investors should look to hold onto for a while. Today, I want to explore how we can spend $6,000 in a TFSA in the middle of June. Let's dive in!

How TFSA investors can gobble up passive income

The Tax-Free Savings Account (TFSA) has become a favourite for Canadians in large part due to its flexibility. Growth and income-oriented investors alike can get exactly what they want from this account. In this instance, we are going to explore how TFSA investors can gobble up attractive income.

For example, a $6,000 investment in several high-yield dividend stocks can net investors several hundred dollars a year in tax-free income. That investment looks even better when it is in stocks that can achieve solid capital growth as well. The renewable energy sector offers nice balance for a portfolio geared for the future.

Why you should continue to target renewable energy stocks

Before the 2019 Canadian federal election, I'd discussed the broad commitment to green energy development from every major party. The global green initiative is set to push forward more aggressively in the 2020s. The International Energy Agency (IEA) recently predicted that by 2024 the world's solar capacity would grow by 600 GW. Moreover, renewable electricity is expected to grow by 1,200 GW in the next five years.

From 2009 to 2019, renewables increased their share of the global power mix from 5.9% to 13.4%. These are developments that TFSA investors should look to capitalize on.

Three TSX stocks to stash in your TFSA now

Polaris Infrastructure (TSX:PIF) is a Toronto-based renewable energy company that acquires, explores, develops, and operates projects in Latin America. Its shares have climbed 18% in 2020 as of close on June 15. The stock has increased 23% month over month.

In its first-quarter 2020 results, Polaris reported total revenue of $20.2 million — up from $18.6 million in the prior year. Adjusted EBITDA grew to $17.0 million over $15.8 million, as Polaris delivered a consolidated 182,408 MWh of energy. Its operations continued as an essential service while following safety procedures implemented to contain the COVID-19 pandemic.

The company last announced a quarterly dividend of $0.15 per share. This represents a strong 5.8% yield. TFSA investors should also jump at the value that Polaris offers right now. Shares last had a favourable price-to-earnings ratio of 10 and a price-to-book (P/B) value of 0.7.

TransAlta Renewables is another renewable energy stock that I've suggested as a target. Its stock has climbed 10% year over year. The company boasts an excellent balance sheet while the stock still possesses a favourable P/B value of 1.7. Best of all, TransAlta last paid out a monthly dividend of $0.07833 per share representing an attractive 6.5% yield.

Innergex Renewable Energy has faced challenges in 2020, but it is still one of the most attractive stocks in this space. Shares of Innergex have increased 18% in 2020 and 44% over the past year. In May, it announced the acquisition of a 68 MW solar farm in Chile. The stock last paid out a quarterly dividend of $0.20 per share, which represents a 3.6% yield.

CATEGORY

1. Dividend Stocks
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1. TSX:PIF (Polaris Renewable Energy)

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