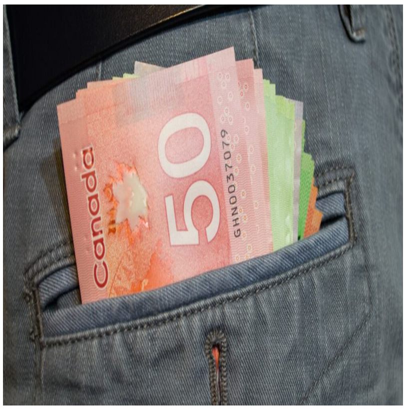

TFSA Investors: 3 Dividend Studs Yielding Up to 5.8%

Description

Having a passive income stream is great — a lofty goal many investors strive for. But what's even better is having a tax-free passive income stream.

An easy way to avoid paying taxes on your dividends is to stash those stocks inside your Tax-Free Savings Accounts (TFSA), choosing instead to keep stocks with lower dividends outside registered accounts. Many investors use this strategy for one simple reason — it works.

You might not have huge amounts of tax-free TFSA income today, especially investors who are just starting the journey. But if you're patient, it can really pay off. Some investors even plan to end up TFSA millionaires by the time they retire, a lofty goal that might be easier to accomplish than you first think, especially if you're under 30 today.

There's no reason to wait to begin your TFSA passive income journey, however.

Let's take a closer look at three top dividend payers you'll want to stuff in your account today, before it's too late.

Canadian Tire REIT

In the world of real estate, you're only as good as your tenants. And as COVID-19 ravages the economy, many investors are pivoting into REITs with rock-solid rent streams.

CT REIT (TSX:CRT.UN) is one of the most secure REITs out there, thanks to its dependence on the various **Canadian Tire** brands; 98% of rents come from Canadian Tire, Marks, Sport Chek or other banners all owned by the same parent company.

The portfolio also offers ample growth opportunities. Canadian Tire is constantly developing new locations — assets it then flips to the REIT. There is also potential for more development on existing properties. And the REIT can acquire Canadian Tire-anchored property across Canada it doesn't already own. In short, investors should expect the over 350 property portfolio to slowly grow over time.

Unlike many other retail REITs, CT REIT didn't have rent collection issues in April and May. It also has a trailing payout ratio of approximately 75%, among the best in the sector. Yes, investors can get higher yields than CT's 5.8% distribution, but not with the security offered.

In other words, it's a perfect dividend stock to stash in your TFSA for a few years and forget about.

Brookfield Renewable

Brookfield Renewable Power (TSX:BEP.UN)(NYSE:BEP) is one of the world's largest owners of renewable power assets with a portfolio of nearly 20,000 megawatts of capacity that spans four different continents. Approximately 75% of its portfolio is hydroelectric power, with a combination of solar and wind making up the remainder.

The company has a couple major tailwinds that should help it for decades to come. It should continue to grow as its parent gets access to all the best assets for sale. And it should also benefit from more investment in greener sources of energy.

Brookfield Renewable targets a long-term investor return of between 12-15% — a goal I think it can accomplish over the next couple decades. That makes it an excellent long-term hold for your TFSA.

And if that weren't enough, the stock currently yields a solid 4.7%. The distribution has been raised each year since 2011, including a raise in 2020.

Sun Life Financial

Sun Life Financial (TSX:SLF)(NYSE:SLF) is a diversified financial services company with insurance and wealth management operations in Canada, the United States, Europe, and Asia.

The company has done a nice job of keeping leverage low, which means it has additional options today. It can use that cash to acquire other insurance companies, do a share buyback, or even greatly increase its dividend. The company's astute management team also avoided risky areas like long-term care insurance in the United States.

Earnings are still expected to be solid in 2020, even after accounting for COVID-19's impact on the bottom line. Sun Life should earn $4.72 per share, putting the stock at just over 10 times forward earnings estimates.

That's not only a cheap valuation, but it also bodes well for the sustainability of the company's attractive 4.4% dividend yield — a payout that has been hiked each year since 2015.

The bottom line

If you’re looking to create a passive income stream from your TFSA, look no further than CT REIT, Brookfield Renewable Energy, and Sun Life Financial.

These high-quality Canadian blue-chip stocks are great choices for any good income portfolio.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:CRT.UN (CT Real Estate Investment Trust)
4. TSX:SLF (Sun Life Financial Inc.)

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