



## TFSA Investors: 3 Great Dividend Stocks Yielding Over 7.2%

### Description

There are multiple benefits of investing in quality dividend stocks. Investors can benefit from capital gains as well as regular dividend payments, resulting in a steady stream of cash flows. You can reinvest dividend payments to buy additional stocks and diversify your portfolio and increase your returns multi-fold from the power of compounding.

If you allocate dividend stocks, to your TFSA any withdrawals will also be tax-free. The TFSA contribution limit for 2020 is \$6,000, and the total contribution limit is \$69,500. We'll take a look at three dividend-paying companies that are attractive at current prices for your TFSA.

### Pembina Pipeline has a yield of 7.2%

**Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) stock is trading at \$35.06. We know that energy stocks were pummeled due to the COVID-19 pandemic and low energy prices. Pembina touched a multi-year low of \$15.27 in March this year. It has since returned 129%, but despite this massive gain, Pembina stock is trading 35% below its 52-week high.

Pembina has a forward yield of 7.2% and pays a monthly dividend of \$0.21 per share. This pipeline company has been paying dividends to shareholders since 1997 due to its contract-based business model.

Pembina generates 90% of sales [from fee-based contracts](#), and 80% of these contracts are backed by investment-grade companies. This has enabled Pembina to increase dividends for nine consecutive years. Currently, the company's payout ratio stands at 60%, giving it enough room to increase these payments.

Pembina has a strong balance sheet, and a dividend cut seems unlikely, despite an uncertain macro environment.

## Enbridge is a top stock for your TFSA

Another energy company that can be considered by income investors is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). It is the largest energy infrastructure company in North America. Enbridge stock is currently trading at \$42.34, which is 26% below its 52-week high of \$57.32.

Enbridge's forward yield is a tasty 7.7%. Similar to Pembina, Enbridge also generates over 90% of EBITDA from fee-based contracts, making it a safe dividend-paying company. The energy giant has increased dividend payments for 25 consecutive years.

Enbridge's pipeline revenue accounts for 30% of the company's EBITDA. Due to oversupply and lower demand, Enbridge's pipeline volume has taken a hit in recent times. However, the company is confident of higher oil demand to drive volumes in the second half of 2020.

It has reaffirmed distributable cash flow for 2020, which indicates a payout ratio of less than 50%. In order to protect itself from short-term macro risks, Enbridge [has increased its liquidity](#) to \$14 billion, up from \$9 billion. It has also reduced costs by \$300 million and sold \$400 million in non-core assets.

## A REIT play for your TFSA

While Pembina and Enbridge are part of the energy space, investing in **Northwest Healthcare Properties REIT** (TSX:NWH) will give you exposure to the real estate industry. Northwest is Canada's leading healthcare REIT with a diversified portfolio of assets.

It is well positioned to endure the ongoing volatility due to inorganic growth and a strong balance sheet. Northwest is part of the healthcare sector, which is largely viewed as defensive or recession-proof.

The REIT is trading at \$10.59, which is 20.6% below its 52-week high and has a forward yield of 7.6%. During the recent earnings call, the company stated, "While some near-term disruption may result from the COVID-19 pandemic, with more than 85% of the REIT's revenues now provided directly or indirectly by public healthcare funding, the defensiveness of the REIT's income profile remains intact."

Northwest ended 2020 with an occupancy rate of 97.3% and 183 properties. It will continue to grow via acquisitions, which will drive top-line growth in the upcoming decade.

## Bottom line

The three companies discussed here will provide investors with a predictable and recurring income stream. If you invest \$69,500 in these three stocks, you can generate over \$5,140 in annual dividend income from your TFSA.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ENB (Enbridge Inc.)
4. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
5. TSX:PPL (Pembina Pipeline Corporation)

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