TFSA Investors: 2 Renewable Energy Stocks to Buy and Forget About

Description

If you've got a Tax-Free Savings Account (TFSA), you probably don't want to be constantly checking on it. It is, after all, for long-term investments and a way for you to help grow your savings over the years without having to worry about paying taxes on what you've earned.

The renewable energy stocks listed below pay dividends and can be solid investments to hang on to for many years.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) is an energy provider that has facilities in Canada, the U.S., and Australia. It operates wind, hydroelectric, natural gas, and solar facilities. Investing in renewable energy is a long-term game, as moving onto more sustainable sources of energy is going to take some time. But with consumers concerned about the climate and being green, it's not hard to see why investing in renewable energy could be a good, long-term move for investors.

One of the great reasons for investing in TransAlta today is, the stock pays you a monthly dividend. And at $0.07833, you're also earning a yield of around 6.4% per year. That's a terrific payout, better than what you'd get from most bank stocks. On a $10,000 investment, that would earn you $640 — which would be tax-free income inside of a TFSA.

Shares of TransAlta are down 6% this year, and that could make it an even more enticing buy. The stock is currently trading at about 1.6 times its book value and could be a steal of a deal. Its price-to-earnings multiple is over 30, but that's a bit inflated, as the company's coming off a tough quarter where other income and expense items dragged down its bottom line. In three of its last four quarters, TransAlta's generated an operating income of at least 30% or better.

Northland Power

Northland Power (TSX:NPI) is another renewable energy stock that your TFSA can count on for dividends and long-term growth. Like TransAlta, this is another monthly dividend stock that pays you more often than quarterly dividend stocks do. Currently, Northland pays its shareholders $0.10 every month, which yields about 3.5% annually. It's not as high of a dividend as what TransAlta offers, but Northland's also bigger and more stable.

The company's reported a profit in each of its last 10 quarterly reports. And its profit margin during that time was at least 10% or more each quarter. It's even more diversified than TransAlta, as it has assets in North America, Europe, Asia, and South America. Northland's also been growing in size over the years. From a company that just did $304 million in revenue in 2010 to $1.7 billion in sales during 2019, Northland is not your average utility stock.

Shares of the stock have more than doubled over the past five years, and year to date it's up around 24%, easily outperforming the TSX and the 9% decline that it's been on thus far in 2020. Shares of Northland aren't too expensive in relation to earnings, as they're currently trading at around 18 times the company's earnings over the past 12 months. With a beta of around 0.5, Northland stock should also be a bit less volatile than TransAlta's, which has a beta closer to 0.8.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NPI (Northland Power Inc.)
2. TSX:RNW (TransAlta Renewables)

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