2 Dividend Companies for Your TFSA

Description

Building a portfolio composed of dividend paying stocks is very popular among retirees and those who are interested in having their income supplemented by dividends. I have previously written an article describing an ideal dividend growth portfolio.

Today, I will provide examples of two other companies that should be considered. Adding these companies to your Tax-Free Savings Account (TFSA) can allow you to withdraw your capital and dividends without being charged any taxes.

A retail conglomerate

The first company worth considering for your TFSA is **Empire Company Limited** (TSX:EMP-A). Founded in 1963, Empire has made its business in grocery retailing. As of 2020, the company has over 1500 stores within its network. Notable subsidiaries of Empire include IGA, Safeway, Foodland, Farm Boy, and Sobeys.

The company reported an impressive Q4 2020 earnings report in June. Excluding fuel data, Empire announced that same-store sales increased by 18% year over year. In addition, earnings per share increased on a year-over-year basis from $0.45 to $0.66.

Empire also declared that its dividend per share increased 8.3%. Finally, the company stated that Voilà by Sobeys, the company's grocery delivery service, was set to begin in June.

Empire has shown impressive growth in its revenue over the past four years, with total revenue across its business growing each year, which has been reflected in its stock. Since the start of 2017, Empire stock has increased 108% as of this writing.

Empire's dividend stats are very impressive with a dividend growth streak that is tied for seventh longest in Canada, standing at 25 years and a payout ratio of 22.33%.

One of the largest supermarket chains in the country

The second company worth considering for your TFSA is the operator of the third-largest supermarket chain in Canada. **Metro** (TSX:MRU) was founded in 1947. Since then, it has grown to a total of 365 locations in Ontario and Quebec, plus an additional 72 Super C stores, its discount subsidiary, in Quebec.

In March, Metro presented a good Q2 earnings report. The company reported a sales increase of 7.8% year over year. When broken down, Metro estimated that same-store sales increased 5.2% before the COVID-19 pandemic and 9.7% during the pandemic.

Like Empire, Metro has done an excellent job of increasing revenue over the past four years. Since January 2017, Metro stock has increased 38%.

Metro also claims one of the longest dividend growth streaks in Canada. As of this writing, it has been able to increase its dividend for the same length as Empire: 25 years. The company has a very reasonable dividend payout ratio of 28.65%.

Foolish takeaway

When it comes to the TFSA, many investors prefer to purchase shares in growth stocks. However, buying dividend companies can be very beneficial as all of the growth and dividend income you receive is tax-exempt.

Empire and Metro are two strong companies in reliable sectors which should not be affected heavily during a downturn. In fact, their businesses were among the few that prospered during the COVID-19 pandemic. Definitely look at these two companies for your TFSA.

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TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:MRU (Metro Inc.)

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