TFSA Investors: 3 Dividend Stocks Paying Up to 9%

Description

Looking to build up your wealth for years, even decades? A Tax-Free Savings Account (TFSA) is a great way to accomplish that since your investments in there will not be taxable and can accumulate over time. And below are three stocks that you could be great options to put in your TFSA today that can generate significant income:

Hydro One

Hydro One Ltd (TSX:H) is a solid long-term buy that inside of your TFSA you can just forget about it. The utility stock pays a quarterly dividend of $0.2536 that annually yields 3.6%. Investing $20,000 into this stock would generate $720 per year in dividend income.

This isn't a stock that's going to be exciting to hold or generate much ground-breaking news. Since the Ontario government's a large shareholder, investors can expect a fair bit of stability from the company. And that's supported by the stock's low volatility — year to date, Hydro One's stock is up 11%. That compares favourable to the **TSX**, which is down 4%.

But that doesn't mean the company isn't growing. On August 1, Hydro One announced the closing of the acquisition of business assets from Peterborough Distribution. The move expands Hydro One's reach into more communities and will allow its sales and profits to grow.

With shares of Hydro One trading at just 1.8 times book value and 20 times earnings, it's also a solid value buy. The company will release its next quarterly results on August 11.

SmartCentres

SmartCentres Real Estate Investment Trust (TSX:SRU.UN) is another great option for dividend investors. While there's definitely some risk given that SmartCentres' key tenants are retailers, it's not as risky as it seems.

Walmart anchors many of its locations, and the REIT's also shown that it's thinking ahead with its Penguin Pick-Up locations that make it easy for customers to pick up their purchases. Although the pick-up locations were already in place long before the COVID-19 pandemic, it's an example of the REIT's versatility and ability to adapt to the changing conditions in the economy.

One of the best reasons to invest in SmartCentres is for its dividend — which today pays $0.15417 every month. Annually, that's more than 9%. And a $20,000 investment into the REIT would earn you about $1,800 per year or $150 every month.

SmartCentres' stock is down 35% so far in 2020 and it's trading below book value and at a price-to-earnings (P/E) multiple of just 11.

Laurentian Bank

Laurentian Bank (TSX:LB) is a bit of a contrarian buy. The bank stock's coming off a tough quarter where the company did something investors don't often see banks do — it cut its dividend. And it wasn't a slight haircut either, Laurentian slashed its payouts by 40%. It was the first time a major bank in Canada cut a dividend since back in the early 90s.

That's also precisely why now could be an opportune time to buy the stock. Laurentian's not likely to cut its dividend unless things get a whole lot worse. It's not impossible as the pandemic will likely to be a problem heading into 2021, but Laurentian likely thought far ahead when making such a steep cut.

Even with the dividend cut, Laurentian's still paying investors $0.40 every quarter, which is around 6% annually. And as the economy strengthens and improves, the bank will likely want to start growing its dividend again.

Investing in Laurentian's a calculated risk, and one that could pay off handsomely over time. Shares of the bank stock are down 40% year to date and its P/E is less than 10. It could be a steal of a deal.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)
2. TSX:LB (Laurentian Bank of Canada)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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