



Have \$3,000 of Room in Your TFSA? These 2 Growth Companies Are Hidden Dividend All-Stars

Description

As the name suggests, all capital gains and dividends you receive in your TFSA are tax-free. Many Canadians like investing in dividend-paying companies as a way of supplementing their income. If you were to receive dividends tax-free, then the net value of your dividends is higher than what you would receive had you not bought shares in a TFSA (e.g., a regular taxable account). However, I believe that you should still consider companies that provide excellent growth runways over those that are attractive only from a dividend perspective.

A Canadian dividend all-star is a company that has raised its dividends for five consecutive years. Companies with this distinction are highly respected in the market. Which two companies should you consider adding to your portfolio?

A boring business with top-tier results

The first company is one [I have mentioned before](#). **Boyd Group** (TSX:BYD.UN) is one of North America's largest operators of collision repair facilities. The company operates under the trade names Boyd Autobody & Glass and Assured Automotive in Canada, and Gerber Collision & Glass in the United States. Across the two countries, Boyd Group [operates 698 locations](#).

The company has been among one of the fastest growing in Canada over the past few years. Boyd Group stock nearly doubled since 2017, before crashing down alongside the broader market this year. Still trading about 25% from its pre-pandemic high, now may be an excellent time to buy into the dip.

Boyd Group ranks highly among Canadian dividend all-stars, having raised its dividends for 13 consecutive years. Although its dividend yield is rather low, the current forward yield is 0.27%; its dividend-payout ratio is also low (14.20%). This indicates that the company has lots of room for its dividend in the future.

A master of acquisitions

As per the company's corporate profile, the objective of **Enghouse Systems** ([TSX:ENGH](#)) is to grow a large and diverse software enterprise through strategic acquisitions and managed growth. This business model has been proven to be successful elsewhere (think **Constellation Software**), which makes Enghouse a very intriguing opportunity, if it is able to perform as Constellation has previously.

Enghouse stock has performed exceptionally well in the past year, growing over 119% over that period. Over the past five years, its stock has grown about 190%! Still only a \$4 billion market cap company, Enghouse still has a lot of opportunity for growth in the future.

Just like Boyd, Enghouse has increased its dividend for the past 13 years. Its forward dividend yield is currently 0.73%, and the company has a payout ratio of 29.33%. Given the fact Enghouse is still looking to grow the company, you can expect the dividend to stay lower for the time being. However, because of the company's current financial position, it is in a great spot to raise dividends in the future.

Foolish takeaway

Your TFSA is an excellent tool to grow your net worth. Taking advantage of companies that provide returns via capital gains and dividends is the best way to make use of this investment vehicle. Look at companies such as Boyd Group and Enghouse Systems to form the foundation of your TFSA. In five years, you could be looking at impressive gains and receive some dividends in the process.

CATEGORY

1. Investing
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TICKERS GLOBAL

1. TSX:ENGH (Enghouse Systems Ltd.)

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