Tax-Free Investing: 2 High-Yield Dividend Stocks for Your TFSA

Description

The pandemic season's investment landscape is highly volatile, although it shouldn't push investors away from the stock market. It's even a good time to maximize the benefits of the Tax-Free Savings Account (TFSA) to lessen your tax bills and complement the giant tax breaks in 2020.

If you haven't opened a TFSA at all since it was created in 2009, you can contribute up to $69,500 in 2020. The features of this 11-year-old investment vehicle are unmatched. You only need to use it properly, and all earnings, dividends, and gains are tax exempt. For urgent financial need, you can withdraw from the account any time without incurring taxes or penalties.

At present, TFSA users are gravitating towards a pair of excellent dividend plays. Apart from incredibly high yields, the pair offers diversification since the companies belong to different sectors. You can spread out the risks while receiving payouts from two stable businesses in the wake of the COVID-19 pandemic.

Resiliency of pipelines

Energy heavyweight **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is ideal for keeping in your TFSA. The $16.9 billion operator of a vast pipeline network has achieved all-star dividend status with its eight-year dividend streak. It has also grown dividends by 6.5% annually over the last five years.

This favourite stock of TFSA users pays a high 7.99% dividend. A $69,500 position in Pembina translates to an annual tax-free income of $5,553.05. Since the company pays dividends monthly, you have a free cash flow of $462.75 per month, which is rare from dividend payers. You can count decades, and Pembina Pipeline will not disappoint loyal investors.

Despite suffering a heavy blow from the recent selloff and still losing 33.6% year to date, Pembina remains a good income stock. The company made a prudent move to reduce capex substantially to protect the balance sheet and dividend. It should continue generating income and revenue from long-term contracts with investment-grade customers.

Essential operations

You can purchase **Northwest Healthcare** (TSX:NWH.UN) at less than $12 per share and earn handsomely from its juicy 6.87% dividend. This $2.04 billion real estate investment trust (REIT) that operates high-quality hospitals, medical offices, and healthcare clinics is a top draw in the 2020 health crisis.

Northwest Healthcare is the only Canadian REIT operating in the cure industry. The REIT is showing resiliency and outperforming the TSX thus far this year. Investors are winning by 2.2% year to date. Northwest is hardly sputtering, while other REITs in the office and retail sectors are barely surviving from COVID-19's onslaught.

In Q2 2020 (quarter ended June 30, 2020), the financial results were robust. Northwest's net operating income remained stable at $69.9 million. The domestic portfolio had a high occupancy rate of 97.3% and 98.8% for international assets. Its competitive advantage lies in the 14.5 years weighted average lease expiry.

No endgame yet

The TSX's rally from COVID lows is continuing and keeping pace with the gradual economic recovery. However, staying liquid is the call of the times. As such, use your TFSA to the hilt to earn tax-free income while strengthening your financial position. It would help if you had sufficient liquidity because we're nowhere near the pandemic's endgame.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

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