TFSA Investors: 2 Dividend Stocks That Hiked Their Payouts by More Than 10% This Year

Description

Are you looking to add some stocks to your Tax-Free Savings Account (TFSA)? If you are, be sure to consider dividend stocks, especially those that increase their payouts. While it may be tempting to add any stock that just pays a 4% or 5% yield today, you'll want to prioritize companies that raise their dividend payments. That's because, over time, inflation will chip away at the returns that non-growing dividend stocks will generate for you. The impact is that your real returns will diminish since the dividend isn't increasing along with the rate of inflation. Even a modest 1% or 2% hike can go a long way in ensuring that your dividend payments are growing.

Below are two companies that haven't raised their quarterly dividend payments by just 2%; they've hiked them by more than 10% this year. Although those types of dividend increases aren't sustainable over a long timeframe, they do suggest that these companies are serious about growing their payouts and creating value for shareholders.

Metro

Grocery stores are resilient during tough times, and many are doing well amid the pandemic, as consumers are stocking up on day-to-day essentials. **Metro** (TSX:MRU) is no exception to that, with the Quebec-based retailer's share price rising more than 18% thus far in 2020.

In its third-quarter report for the period ending July 4, Metro's sales of $5.8 million were up 11.6% year over year. Food same-store sales grew at a remarkable 15.6%, while online foods sales nearly quadrupled. To put that into perspective, same-store food sales in the same quarter last year rose by just 3.1%. Metro's online presence was so minor, it wasn't even noted in its report to shareholders a year ago.

The pandemic has generated some strong traffic for Metro and other grocery stores this year. And that could make for some generous dividend increases next year. Metro already hiked its dividend before COVID-19 this year from $0.20 to $0.225, an increase of 12.5%. But that's not uncharted territory for the company; in the year before that, its quarterly dividend was bumped up by 11.1% from $0.18. With the increase in dividend payments, Metro stock is now paying a yield of 1.4%.

It's not huge, and it would be easy to find higher-yielding stocks out there, but given the relatively low yield combined with the strong year the company is having in 2020, it wouldn't be a surprise if Metro makes an even larger rate hike next year.

Jamieson Wellness

Another company that's doing well during the pandemic is **Jamieson Wellness** (TSX:JWEL). Vitamins and health products are among the items that consumers are loading up on during COVID-19, and that's put Jamieson in a solid position to meet those growing needs.

In August, the company reported its second-quarter results for the period up until the end of June and its sales of $93.2 million grew at a rate of 15.6%. Jamieson noted strong demand for "immunity and general health supplements" during the period. The results were so encouraging that the company announced it would be upgrading its forecast for the year. Jamieson now expects its revenue for fiscal 2020 to fall between a range of $385 million and $395 million. Previously, its forecast was a range of $364 million and $376 million. In 2019, its annual sales topped $345 million.

Jamieson also announced in its earnings release that it would be increasing its dividend payments from $0.11 to $0.125 — an increase of 13.6%.

Year to date, shares of Jamieson are up 60%.

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djagielski