TFSA Investors: 2 Dividend Aristocrats That Have Hiked Payouts for 5 Years

Description

If you are looking to add stocks to your TFSA (Tax-Free Savings Account), you can consider investing in companies that have consistently grown dividends in the last few years. In Canada, companies that have raised payouts for five consecutive years are called Dividend Aristocrats and are part of the **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF**.

Holding dividend stocks in your TFSA provide investors with an opportunity to generate a steady stream of recurring income. These payouts can either be reinvested or withdrawn without having to pay taxes to the Canada Revenue Agency (CRA).

While several stocks have made a strong comeback after the bloodbath witnessed in March, a few are still trading at depressed valuations.

Now, investors can look to pick up cheap stocks that not only have high dividend yields but also the ability to increase wealth via capital gains over the long term. We'll look at two such stocks on the TSX that have forward yields of over 6% and are trading at cheap multiples.

A renewable energy giant

The first stock is **Capital Power** (TSX:CPX), a North American power producer that owns 6,400 MW of power-generating capacity at 28 facilities in the continent. In the second quarter of 2020, the company reported a net income of $23 million and an adjusted EBITDA of $217 million.

It also increased dividend payouts by 6.8%, which was Capital Power's seventh consecutive year of dividend increases. The company pays annual dividends of $2.05 per share, indicating a forward yield of 6.9%.

Capital Power continues to eye expansion in the renewable power segment. In the last three months, it launched two renewable projects in Alberta — one of which will be the largest wind facility in the province.

Further, Capital Power entered the solar energy segment and is expected to add 40.5 MW by 2022, which will cost the company between $50 million and $55 million. Its focus on expansion will help Capital Power increase EBITDA and free cash flow, which will enable the company to further increase its dividend payouts.

An asset-management company

Asset-management companies including **Fiera Capital** (TSX:FSZ) have been hit hard amid the pandemic. The sell-off in equity markets made investors nervous, and the ongoing volatility might not attract additional investments in the near term.

Fiera stock fell from $13.2 in early 2020 to a multi-year low of $4.77 in March. It has since staged a strong comeback to currently trade at $10.5. Despite the recent recovery, Fiera has a forward yield of 8%.

In the second quarter, Fiera's asset under management (AUM) stood at $171 billion, up from $158 billion in Q1. The company still managed to increase sales by 11.3% year over year to $167 million, while EBITDA rose 13.3% to $51.9 million in Q2.

Fiera is one of the top dividend-growth companies on the TSX. It pays a quarterly dividend of $0.21 per share, up from $0.06 per share in 2010, indicating an annual growth rate of 13.4%.

The Foolish takeaway

An investment of $3,000 each in the two stocks will help you generate close to $450 in annual dividends or $112 in quarterly payouts. If the companies continue to increase their payouts at an annual rate of 6% in the next decade, your annual dividends will increase to $800.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)
2. TSX:FSZ (Fiera Capital Corporation)

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