3 Blue-Chip Dividend Stocks Worth Adding to Your TSFA Account

Description

A Tax-Free Savings Account (TFSA) is a great investment vehicle initiated by the Canadian government in 2009. Anyone above 18 years with a valid social insurance number can open a TFSA account. Although the contributions to TFSA are taxable, the returns on these investments, including capital gains and dividends, are tax-free.

So, with just a few months left in this year, it is the right time to invest if you have not hit your contribution limit. Meanwhile, the rising COVID-19 cases and high unemployment have created headwinds for the markets. So, investors would be better served if they invest in blue-chip companies, as one can't regain their contribution room back in case of the losses in TFSA. Here are the three blue-chip dividend stocks that you could consider buying.

Canadian Utilities

My first pick would be a diversified utility company, **Canadian Utilities** (TSX:CU), which has raised its dividends for the past 48 years. The company has announced quarterly dividends of $0.4354 per share for its third quarter at an annualized payout rate of $1.74 per share. So, the company's forward dividend yield stands at an attractive 5.2%.

The company's strong underlining businesses with assets worth around $20 billion have supported its dividend payout. It earns 95% of its adjusted earnings from regulated utilities, providing stability to its earnings. At the end of the June quarter, it had cash and cash equivalents of $940 million and had access to $2.25 billion of credit. So, the company's liquidity position looks strong.

Between 2020 and 2022, Canadian Utilities has planned to invest $3.5 billion in its utility businesses and long-term contracts, which could support its earnings growth. So, given its recession-proof business model, strong liquidity position, healthy growth prospects, and attractive dividend yield, Canadian Utilities could be an excellent addition to your TFSA account.

Enbridge

My second pick would be **Enbridge** (TSX:ENB)(NYSE:ENB), which runs well diversified, low-risk businesses, with 98% of its adjusted EBITDA supported by long-term take-or-pay and cost of service contracts. These stable cash flows have helped the company raise its dividends for the past 25 years at an 11% compound annual growth rate (CAGR). Its dividend yield currently stands at a juicy 8.5%.

Meanwhile, the weak oil demand has dragged Enbridge's mainline throughput down, leading to a decline in its stock price. It has lost over 25% of its stock value this year. Despite the decline in its mainline throughput, the company has maintained its 2020 distributable cash flow guidance of $4.50 to $4.80 per share, given its resilient business and predictable cash flows.

Further, the company has continued with its $11 billion secure projects, which would contribute an incremental cash flows of $2.5 billion once put to service. So, given its stable cash flows and healthy liquidity of over $14 billion, Enbridge's dividends are safe.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) provides utilities, including electricity, natural gas, and water, to over 800,000 connections across the United States and Canada. It also generates 1.5 gigawatts of power through both renewable and non-renewable power generating facilities. Meanwhile, the company sells 85% of the energy produced from these assets through long-term power purchase agreements. Its earnings and cash flows are therefore mostly stable.

Along with organic growth, Algonquin Power & Utilities also focuses on strategic acquisitions to grow. At the end of the last quarter, its liquidity stood at a healthy $2.37 billion. Driven by its resilient business, the company has returned around 9% this year, comfortably outperforming the broader equity markets.

Meanwhile, its dividend yield currently stands at 4%, with a trailing 12-month payout ratio of 60%. So, the company has room to raise its dividends. The management has also planned to increase its dividends at 7% per annum for several more years. Algonquin Power & Utilities could therefore be a good addition to your portfolio given its capital appreciation and healthy dividend yield**.**

CATEGORY

1. Investing

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1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:ENB (Enbridge Inc.)

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