



TFSA Wealth: 3 Top Dividend Stocks for All Investors

Description

Canadian investors of all ages use the TFSA to invest.

TFSA benefits

The Canadian government launched the TFSA in 2009. Since then, the cumulative contribution room increased to \$69,500. The TFSA limit increase for 2021 should be \$6,000.

Retirees with cash sitting in taxable investment accounts have an option to use the TFSA instead to earn income on their investments. This won't bump them into a higher tax bracket or put their OAS pension at risk of a [clawback](#). GICs don't pay much these days, so retirees are turning to dividend stocks for income.

Investors in the middle years or later part of their careers might be ramping up their retirement savings. RRSP contributions likely take priority with this group due to the reduction in taxable income, but many will have extra cash to invest. The TFSA is a great vehicle for growing the savings fund for retirement or a vacation property. Dividend stocks offer attractive yields and a shot at decent capital gains.

Young investors can use the TFSA to start building a personal retirement fund. It makes sense to save [RRSP](#) room for later, when you will likely be in a higher marginal tax bracket. Using the TFSA to harness the power of compounding is a good way to build a personal pension. In this strategy, dividends are used to buy more shares, setting off a snowball effect that can turn relatively modest initial investments into substantial holdings over time.

Top dividend stocks for a TFSA

The best stocks pay reliable [dividends](#) that grow steadily. Rising distributions should be supported by higher revenue and earnings. Companies with leadership positions in their industries deserve to be on the radar. Ideally, these companies have wide competitive moats.

Let's take a look at **BCE**, **Royal Bank of Canada**, and **Fortis** to see why they might be interesting picks to start a diversified TFSA dividend fund.

BCE

BCE is Canada's largest communications company with world-class wireless and wireline networks providing mobile, internet, and TV services across the country. The business generates great free cash flow that BCE uses to pay its attractive dividend. At the time of writing, the stock provides a 5.9% yield.

The era of low interest rates looks set to continue for some time. This bodes well for BCE and its shareholders.

Royal Bank

Royal Bank is a profits machine, even during the pandemic. The company's return on equity is one of the best among large global banks, and the nature of the Canadian banking industry should ensure continued long-term earnings success. The stock isn't as cheap as it was a few months ago, but Royal Bank still deserves to be a top pick. TFSA investors who buy today can pick up a 4% yield.

Fortis

Fortis owns power generation, electricity transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean. Nearly all of the revenue comes from regulated assets. This means cash flow should be reliable and predictable. Fortis has raised the dividend for 47 straight years. The board intends to boost the payout by an average of 6% per year through 2025.

The bottom line

The TFSA is a great tool for investors of all ages. Holding top dividend stocks as a core part of the portfolio makes sense for young investors, those in the middle of their careers, as well as retirees.

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1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. NYSE:FTS (Fortis Inc.)
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5. TSX:FTS (Fortis Inc.)
6. TSX:RY (Royal Bank of Canada)

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Date

2025/08/25

Date Created

2020/11/25

Author

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