TFSA Investors: The 3 Best Canadian Dividend Stocks for 2021

Description

The CRA has set the annual TFSA (Tax-Free Savings Account) contribution limit to $6,000 for 2021. However, if you haven't opened or contributed to the TFSA before, you have a total cumulative contribution limit of $75,500.

Notably, a $75,500 investment in a Dividend Aristocrat, with an annual yield of over 5%, could fetch a passive income of more than $300/month. Without much delay, let's focus on three top TSX-listed dividend stocks that could help you generate a tax-free passive income in 2021 and beyond.

This bank stock looks attractive

Scotiabank (TSX:BNS)(NYSE:BNS) stock should be on your dividend income portfolio for 2021. For those who do not know, Scotiabank has paid dividends since 1833, which is commendable. It has increased its annual dividend in 43 out of the last 45 years, which indicates the strength of its high-quality earnings base.

The COVID-19 pandemic weighed on the profitability of Scotiabank in 2020. However, I believe the uptick in loans and economic reopening could drive higher net interest income and lead to lower provisions in 2021, which is likely to drive its earnings and dividends.

Scotiabank pays a quarterly dividend of $0.90 per share, translating into a yield of 5.3%. Meanwhile, it trades at a P/B ratio of one, which is well below the peer group average. With an expected improvement in the loans and deposit volumes and lower pressure on earnings, Scotiabank is set to deliver higher total shareholder returns in 2021.

Expect dividend growth of 8-10%

TC Energy (TSX:TRP)(NYSE:TRP) is another top income stock for 2021. Its resilient and diverse asset base makes it relatively immune to the economic cycles and generates robust cash flows. TC Energy's asset utilization levels remained at par with the historical rates, despite the challenges from the pandemic.

The pipeline company derives most of its earnings from assets that are either regulated or have long-term contracts. Moreover, its long-life and extensive assets base and a $37 billion secured capital program provide a solid platform for growth, which could continue to drive its future dividends.

Over the past 20 years, TC Energy's dividend has increased at a CAGR (compound annual growth rate) of 7%. Meanwhile, the company projects an 8-10% growth in its annual dividend for 2021. The energy infrastructure company offers a quarterly dividend of $0.81 per share, translating into a yield of 6.1%.

Book a high yield of over 8%

Enbridge (TSX:ENB)(NYSE:ENB) stock is a must-have in your income portfolio. The energy infrastructure company is offering a high yield of over 8%, which is pretty safe. Despite the weakness in the energy space, Enbridge has consistently paid its dividends. Moreover, recently it announced a 3% hike in its annual dividend to $3.34 per share.

Enbridge's sustained momentum in the base business and resilient cash flows support its dividend payouts. Meanwhile, its payout ratio of 60-70% is sustainable in the long run.

Enbridge raised its dividend for 26 years in a row and could continue to increase it further in the coming years, reflecting strength in its renewable power, gas transmission, and gas distribution and storage business. The expected uptick in energy demand following the distribution of the COVID-19 vaccine is likely to bolster its distributable cash flows and support its dividend payouts.

CATEGORY

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2. Coronavirus
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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:ENB (Enbridge Inc.)
6. TSX:TRP (TC Energy Corporation)

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snahata