



TFSA Investors: 2 Great Canadian Dividend Stocks to Buy in 2021

Description

The TFSA provides Canadian dividend investors with a fantastic opportunity to build tax-free income portfolios.

TFSA investing

Investors get an extra \$6,000 in TFSA contribution space in 2021. This brings the maximum total TFSA limit to \$75,500. That's great news for investors in all parts of their careers.

Retirees can create significant passive income using their TFSA space. Any dividends paid inside the TFSA and removed for spending remain beyond the reach of the CRA. In addition, the income is not used when the Canada Revenue Agency calculates net world income to determine the [OAS pension recovery tax](#), otherwise known as the OAS clawback.

Younger investors who are building TFSA retirement savings can use the full value of the dividends to buy more shares. This sets off a powerful compounding process that can turn small initial investments into a large nest egg over the course of two or three decades.

Top dividend stocks for a TFSA in 2021

The stock market could see additional volatility in the coming year. In fact, a meaningful correction wouldn't be a surprise in the coming weeks. Valuations appear stretched across much of the market after the major rally off the 2020 crash. New lockdowns due to the second COVID wave might delay the economic recovery and lead to an extended period of high unemployment.

Despite the broader market euphoria, [dividend stocks](#) still look reasonably priced. Investors who buy now get paid well to ride out the turbulence. A new market correction would provide an opportunity to buy great dividend stocks at a further discount.

Let's take a look at **Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) and **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) to see

why they might be attractive TFSA dividend picks for 2021.

Manulife

Manulife has insurance and wealth management operations around the globe. The company's Asian business continues to expand and offer the best growth opportunities in the coming years.

Manulife trades at a cheap multiple of just 8.5 times earnings. The stock currently sits near \$22 compared to \$27.50 before the pandemic. Manulife's Q4 2020 results could surprise to the upside, supported by the strong bounce in global equity markets. Investors who buy now can pick up a solid 5% dividend [yield](#).

Manulife might be a good choice for TFSA investors who want exposure to global economic growth through a Canadian stock. It is also attractive as a non-bank financial pick.

TC Energy

TC Energy, formerly TransCanada, is a leader in the North American natural gas transmission sector. Aside from the extensive natural gas infrastructure, the company also has gas storage, power generation, and oil pipeline assets.

Getting new major pipelines built is a challenge. In fact, there is a chance TC Energy's Keystone XL line in the United States won't be completed. However, the company has more than \$30 billion in capital projects on the way, so there is ample growth on the way across the various business segments.

TC Energy intends to raise the dividend by 8-10% in 2021 and by 5-7% in the following years. This is the kind of guidance TFSA dividend investors want to see. The stock appears oversold right now around \$53 per share. That's way off the 12-month high of \$76, so investors have decent upside potential as the economy recovers. In the meantime, you get a 6% yield with good dividend growth on the horizon.

Warren Buffett's **Berkshire Hathaway** spent US\$10 billion in 2020 to acquire natural gas transmission assets. The Oracle of Omaha is obviously positive on the long-term potential of the natural gas sector.

The bottom line

Manulife and TC Energy appear cheap today and pay attractive dividends for a TFSA portfolio. If you have some cash sitting on the sidelines, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:TRP (TC Energy Corporation)

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