TFSA Investors: 3 Dividend Stocks to Earn $440/Month in 2021

Description

For 2021, the maximum dollar contribution limit in the Tax-free Saving Account (TFSA) is $6,000. However, those who haven't contributed to TFSA since 2009, despite being eligible, will have a cumulative contribution limit of $75,500 in 2021.

As yields from debt instruments remain low, a $75,500 investment in a high-quality TSX-listed dividend stock could help you generate steady passive income in 2021 that the CRA can't tax. Let's focus on the three best dividend stocks to buy right now.

TC Energy

TC Energy's (TSX:TRP)(NYSE:TRP) resilient business and high-quality earnings base provides good reasons for TFSA investors to own its stock for regular passive income. The company owns diversified energy infrastructure assets that are either regulated or have long-term contractual arrangements and generate robust cash flows to support its payouts.

The company's asset utilization rate remains at par with its historical levels despite the challenges from the pandemic. Further, its $37 billion capital growth program is likely to drive its earnings, cash flows, and dividends.

Notably, TC Energy has increased its dividend at a compound annual growth rate (CAGR) of about 7% in the last 20 years. Moreover, it projects an 8-10% growth in its annual dividend in 2021 and 5-7% beyond 2021. TC Energy pays an annual dividend of $3.24 a share, reflecting a high yield of 5.7%.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a top dividend stock that offers monthly payouts. Thanks to its highly contracted assets that generate robust fee-based cash flows, Pembina consistently paid its dividends in 2020 despite the significant headwinds from the spread of the coronavirus.

The expected recovery in demand for crude and other liquid hydrocarbons that Pembina transports should support its cash flows in 2021 and help the company to boost its shareholders' returns through higher dividend payments. The pipeline giant has paid and increased its dividends since 1998 and is currently trading at an attractive valuation multiple than its peers.

Pembina Pipeline pays an annual dividend of $2.51 a share, reflecting a high yield of over 7.2% at the current price levels.

Enbridge (TSX:ENB)(NYSE:ENB) has been paying dividends for over 65 years. Moreover, it has continually increased the same in the past 26 years. Enbridge's 40+ revenue sources and $16 billion secured program positions it well to drive mid-single-digit growth in its distributable cash flow per share. Further, it is likely to support its future dividend payouts.

Enbridge's top and bottom lines are likely to show strong improvement in 2021, reflecting a recovery in mainline volumes, new assets placed into service, customer additions, and rate escalation. Besides, the company's cost reduction program and supply-chain efficiencies should support its earnings and drive its future dividends.

Enbridge pays an annual dividend of $3.34, translating into a high yield of 7.4%, which is very safe.

Bottom line

The payouts of these Dividend Aristocrats are safe and sustainable in the long run. These companies operate a low risk business that is highly contracted and generates strong cash flows. On average, an investment of $75,500 in these three stocks at the current price levels is likely to generate a dividend income of $5,285/year or $440/month.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:ENB (Enbridge Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:TRP (TC Energy Corporation)

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