TFSA Income Investors: 3 High-Yield Stocks to Buy Now and Own for Decades

Description

Tax-Free Savings Account (TFSA) income investors have a number of top high-yield stocks to choose from today that offer great dividends and a shot at big capital gains.

Why Power Corp stock deserves to be on your buy list

Power Corp (TSX:POW) trades at its 12-month high, but still offers an attractive 5.6% dividend yield.

This holding company has investments in a number of top Canadian insurance and wealth management firms, including publicly-traded subsidiaries **Great-West Lifeco** and **IGM Financial**. These businesses are home to a number of well-known names in the industry. Canada Life, IG Wealth Management, Mackenzie Investments, and Investment Planning Counsel are just a few.

Through its subsidiaries, Power Corp also owns a majority interest in fintech disruptor Wealthsimple. In addition, the sustainable investments group, Power Sustainable Capital, owns a large position in EV player Lion Electric.

The traditional insurance and wealth management businesses generate solid cash flow to support the generous dividend. At the same time, the investments in Wealthsimple and Lion Electric could explode in value over the next few years.

Power Corp shareholders should get a dividend increase in 2021, and it wouldn't be a surprise to see the stock rise another 30% in the next two years.

Why Enbridge stock deserves to be a top TFSA income pick

Enbridge (TSX:ENB)(NYSE:ENB) went through a major transition before the arrival of the pandemic. The company sold nearly $8 billion in non-core assets and brought a number of subsidiaries under the umbrella of the parent company. The moves strengthened the balance sheet and streamlined the organization. This helped Enbridge get through 2020 in good shape.

Throughput on the main oil pipeline systems dropped due to a crash in demand for crude oil. Enbridge moves oil to refineries that use it to make jet fuel, gasoline, and diesel fuel. As soon as vaccinations roll out to the broader public and travel restrictions ease, commuters will head back to the office and airlines will resume flights.

Enbridge's natural gas transmission and renewable energy assets performed well last year. This helped offset the slowdown on the oil pipeline side of the business. Enbridge raised the dividend last fall for the 25th straight year. The dividend should continue to grow in step with distributable cash flow.

The stock appears cheap right now near $44 per share. Enbridge traded for $55 last February, so there is decent upside opportunity when the pandemic ends. In the meantime, investors can pick up a solid 7.5% dividend yield inside their TFSA while they wait for the recovery.

Emera stock looks cheap right now

Emera (TSX:EMA) is a utility company based in Nova Scotia. The $31 billion in assets produce electricity and distribute natural gas in Canada, the United States, and the Caribbean.

Emera's current $7.4 billion capital program could grow by another $1.2 billion and should boost the rate base by 7.5-8.5% through 2023. The company says it intends to raise the dividend by 4-5% in 2021 and 2022.

The stock trades near $51 per share compared to $60 a year ago. TFSA investors who buy now can pick up a 5% dividend yield and simply wait for the shares to drift back to the 2020 high.

The bottom line on TFSA income

Power Corp, Enbridge and Emera all offer above-average yield on dividends that should continue to grow. If you have cash available in your TFSA income fund, these stock deserve to be on your radar.

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