3 Bountiful Dividend Stocks for Your TFSA

Description

What is the first thing you see when you buy a dividend stock? Most investors would answer this question with the word *yield*, and it's easy to see why. The yield *is* the primary "return on your investment" for most dividend stocks. And if they also offer capital-appreciation potential, that's just an added bonus.

So, you see the yield, and then you see the other factors — i.e., value, price, stability of dividends, the potential of dividend growth, capital growth potential, etc., — and determine whether the dividend stocks are worth investing in or not. And if you are starting with the yield, there are three stocks that should be on your radar.

An oil and gas royalty company

Freehold Royalties (TSX:FRU) is a Calgary-based company that offers you access to a niche asset class: land that can be developed for gas and oil exploration — a lot of it (6.7 million acres). Most of the land in the company's portfolio is located in Western Canada, which is home to the Canadian Sedimentary Basin. And the way oil is making a recovery really boosts the company's profile and prospects of future growth.

While most royalty companies offer you a "gloved" approach to an asset (like a gold royalty company), Freehold is different. It exposes you to oil at the most basic level: exploration. This is reflected in the company's dividend as well, and it slashed the dividend to a mere fraction of the original payout in 2020 when oil reached the negative territory for the first time.

But the stock is still recommended because, in less than two years, the company beefed up its payouts to quite near the original level. The yield is a juicy 6.1%.

A mortgage company

Thanks to the housing boom, the mortgage has become a very "hot" business. But that's in the residential realm, which, unfortunately, is due for a correction. And if you want to play it safe, you can invest in a generous Commercial Real Estate (CRE) mortgage company like **Timbercreek Financial** (TSX:TF). It provides shorter-duration structured financial solutions to CRE.

That's a niche a lot of conventional lenders tend to stay away from, and companies like Timbercreek fill the gap. And since there are relatively few lenders of its size and reach in the CRE industry, the company likely has its pick of the deals. The company is quite "consistent" when it comes to its market value.

It did grow at a decent pace after the crash and is already near its pre-pandemic valuation. But the most compelling reason to buy into this company is its generous 7% yield.

An independent asset management company

Fiera Capital (TSX:FSZ) offers a generous yield of 7.9%. That's high enough to earn you a passive income of about $133 a month if you invest $20,000 in the company. The investment platform Fiera offers covers institutional markets, private wealth, and retail markets.

One of the strongest points in the company's favour is that despite its high payout ratios across the board, the company hasn't just managed to sustain its dividends but has also grown them four times in the last five years. The company is just slightly overpriced right now, which is justified because of its post-pandemic growth and the mouthwatering yield it offers.

Foolish takeaway

The three dividend stocks can be a decent source of tax-free income from your TFSA if you invest a sizeable enough amount in each. They also offer decent value and reasonable dividend sustainability. The capital-appreciation potential is minimum, but with at least two of these stocks, you are more likely to see your capital go upwards, not down.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:FSZ (Fiera Capital Corporation)
3. TSX:TF (Timbercreek Financial Corporation)

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