TFSA Investors: The 3 Best TSX Dividend Stocks for 2022

Description

The CRA has left the annual contribution limit to the Tax-Free Savings Account (TFSA) unchanged at $6,000. This brings the total cumulative contribution limit of $81,500.

Notably, an investment of $81,500 in top dividend stocks, with an annual yield of about 5%, could generate a passive income of more than $339/month. As withdrawals from the TFSA are tax-free, let's look at three stocks that could be a perfect fit for your TFSA portfolio in 2022 and beyond.

Book a high yield of over 7%

Enbridge (TSX:ENB)(NYSE:ENB) is unquestionably one of the top stocks for your TFSA portfolio to consistently generate a tax-free, growing, passive-income stream. This energy infrastructure company has regularly paid and increased its dividends irrespective of the economic cycles. It's worth noting that Enbridge hiked its annual dividends by 3% in 2020, despite the challenges from the COVID-19 pandemic.

Enbridge stock is offering a high yield of over 7% at current price levels. Meanwhile, I remain upbeat and expect it to announce a dividend hike soon. Enbridge has performed well on the back of a steep recovery in volumes and commodity prices. Moreover, its diversified revenue streams and strong capital program support my bullish view.

Enbridge expects to grow its DCF (distributable cash flow) per share by 5-7% annually, indicating that its dividends could reflect similar growth. Meanwhile, its low-risk business, contractual arrangements, ongoing strength in the core business, and opportunities in the renewable segment suggest that its payouts are sustainable in the long term.

Don't miss this cheap utility stock

Conservative business mix, regulated assets, and predictable cash flows make utility companies a top investment for income investors. While I am bullish on **Fortis** and **Algonquin Power & Utilities** in the utility space, I would recommend investors to add shares of **Capital Power** (TSX:CPX) to their TFSA primarily for its high yield and low valuation.

Capital Power stock is offering a high yield of over 5.7% at current levels. Meanwhile, it is trading at a forward EV/EBITDA multiple of 7.5, much lower than its peer group average of 13.2.

Notably, Capital Power has increased its dividend for eight consecutive years. Meanwhile, I expect to increase its annual dividend by a mid-single-digit rate in 2022. Capital Power's low-risk business, diversified renewable assets, and strong developmental pipeline could drive higher dividend payments. Moreover, its low payout ratio (45-55%) is sustainable in the long run.

A reliable energy bet

With its strong and growing cash flows and high-quality asset base, **TC Energy** (TSX:TRP)(NYSE:TRP) is another solid dividend stock for your TFSA portfolio. Its regulated and contracted assets and higher utilization rate position it well to consistently enhance its shareholders' returns through higher dividends.

TC Energy has consistently increased its dividends at a healthy pace over the past 21 years in a row. Meanwhile, it projects a 3-5% increase in its future dividends. TC Energy makes quarterly payments and offers a high yield of about 6%.

Looking ahead, its long-life energy infrastructure assets, $29 billion capital program reinforced by cost-of-service or take-or-pay contracts, cost-savings, and improving energy demand suggests that TC Energy could continue to deliver higher earnings and dividends.

CATEGORY

1. Dividend Stocks
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