



TFSA Limit Boost: 2 Stocks to Buy Today

Description

Canadians who have maximized their Tax-Free Savings Account (TFSA) contribution room last year can invest up to \$6,000 of their [after-tax dollars](#) in 2022. If your objective is to boost tax-free income, use your limit to purchase **Freehold Royalties** ([TSX:FRU](#)) and **Boston Pizza Royalties** ([TSX:BPF.UN](#)).

Besides their superb performances in 2021, both royalty stocks are attractive options for TFSA investors given the average dividend yield of 6.495%. Your \$6,000 can earn \$389.70 in tax free, [passive income](#).

Simple asset class

TSX's [energy sector](#) was the top performer in 2021. Freehold Royalties delivered more than 120% to investors in 2021 on top of a generous dividend yield. The \$1.71 billion oil & gas royalty company takes pride in its meaningful cash returns and consistent dividend growth.

The royalty stock has increased its dividends for five consecutive quarters by 220% in 12 months. Freehold owns a portfolio of royalty lands in North America which it leases out to more than 350 industry payors. Its financial capacity gets stronger as its production base and corporate volumes increase.

Accretive acquisitions and organic drilling are the growth drivers. Currently, Freehold has over six million royalty acres in Canada and 0.8 million drilling unit acres in the U.S. The active development in the Eagle Ford basin, in particular, gives it a resilient core-to-core position. It provides stable production and fund flows.

According to management, royalties remain a simple asset class. Expect Freehold to generate significant free funds flow for dividend growth at the current commodity price levels. The royalty stock trades at \$11.40 per share and pays a 6.32% dividend.

Top casual dining brand

Boston Pizza restaurants welcomed the easing of COVID-induced regional operating restrictions in 2021. Because of the improved conditions, Boston Pizza International president Jordan Holm said, “We are pleased that the improved sales performance at our restaurants have supported an increase to the fund’s distribution rate.”

The Q4 2021 results will be out soon, although Holmes anticipates the global pandemic to still have a negative impact on BP restaurants. After the first three quarters of 2021, approximately 98% (380) of Boston Pizza restaurants were open and providing dining services, take out, and delivery.

During the period, royalty revenue and total revenue increased 14.90% and 14.35% versus Q3 2020. In the nine months ended September 30, 2021, net income reached \$24.76 million compared to the \$10 million net loss a year ago. Notably, Boston Pizza generated \$21.95 million cash flow from operating activities, a 46.56% year-over-year increase.

Around 387 Boston Pizza restaurants in BPF’s royalty pool contributed to the total franchise system sales. The \$329 million franchisor of pizza and pasta restaurants said Boston Pizza remains a top casual dining brand in Canada. The royalty fund also paid out 226 monthly distributions with an excellent track record for investors (226 monthly distributions) since going public in 2002.

Performance wise, the overall return in 2021 is more than 40%. If you invest today (\$15.29 per share), the dividend yield is a hefty 6.67%.

Cope with high inflation

The \$6,000 boost in contribution room and dividend income from it should help TFSA users cope with higher inflation in 2022.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BPF.UN (Boston Pizza Royalties Income Fund)
2. TSX:FRU (Freehold Royalties Ltd.)

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Date

2025/08/24

Date Created

2021/12/30

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