3 Dividend Stocks Worth Holding in a TFSA

Description

Investing in dividend stocks is an excellent way for the everyday individual to achieve financial independence. By building large enough positions, you can supplement and eventually replace your primary source of income. However, that won't happen overnight. It'll take years of consistent investing to achieve that goal.

By investing in a TFSA, you can greatly accelerate this progress, because your returns won't be subject to income tax. This allows investors to reinvent more capital quickly, snowballing their positions. Here are three dividend stocks that could get the ball rolling for you!

This stock is one of the best dividend payers

Fortis (TSX:FTS)(NYSE:FTS) is a stock that should feature at the top of your list. It's one of the best dividend-paying companies in Canada. It has managed to increase its dividend distribution for the past 47 years. That gives it the second-longest active dividend-growth streak in Canada.

Fortis's dividend prowess may come as a result of its recession-proof business. A provider of regulated gas and electric utilities, Fortis doesn't tend to experience any major slowdowns during periods of economic uncertainty. In addition, its business is diversified across three regions: Canada, the United States, and the Caribbean. This allows the company to remain in a good position, even if one of these regions encounters a catastrophic economic event. Fortis offers a forward dividend yield of 3.69%.

A top Dividend Aristocrat

The list of Canadian Dividend Aristocrats features many very strong companies. An example of which would be **Canadian National Railway** (TSX:CNR)(NYSE:CNI). It operates 33,000 km of track, which spans from British Columbia to Nova Scotia, and deep into the southern United States. This makes it the largest railway company in Canada. In fact, Canadian National is even the third-largest railway company in North America, with respect to revenue.

Like Fortis, Canadian National has been able to increase its dividend for many years. It is one of 11 **TSX**-listed companies to hold a 25-year dividend-growth streak. Although its forward yield is much lower than that of Fortis (1.82%), it maintains a very low dividend-payout ratio (35.7%). Because of this, I'm a believer that the company will continue to raise its distribution for many years.

Nearly two centuries of continued dividends

Investors should also take note of which companies have been able to pay dividends consistently for a very long time. Certain companies, like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) may not have the longest dividend-growth streak (11 years). However, its long history of paying dividends proves that this stock is worth holding in a TFSA. Bank of Nova Scotia first paid a dividend in July 1833. Since then, it has never missed a dividend payment. That means the company has successfully distributed dividends to shareholders for 189 years!

Bank of Nova Scotia boasts a very attractive forward dividend yield of 4.35%. Investors should aim to hold companies with dividend yields between 3-5%. Doing so will reduce the amount of capital you need to invest in order to receive a sizeable dividend.

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2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:FTS (Fortis Inc.)
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jedlloren