TFSA Dividend Stocks: Earn Growing Passive Income

Description

As many Canadians know, the TFSA is one of the best tools for investing. And while value stocks and growth stocks certainly have a place in your TFSA, dividend stocks are some of the best ways to earn consistently growing passive income.

One of the reasons the TFSA is so useful is that you can save on tax by investing in it. So when you take a long-term approach and invest for the long haul, the amount of money you're compounding each year is significantly more than if you weren't utilizing a TFSA.

And when you buy high-quality dividend stocks for your TFSA, that passive income you receive only helps you compound your capital even faster, especially if you're reinvesting your dividend income.

So if you're looking to grow your TFSA and add high-quality dividend stocks, here are two of the best stocks to buy for consistently increasing passive income.

One of the best Canadian dividend stocks to buy for your TFSA

Not all dividend stocks you buy have to pay a high yield. Sometimes, you may elect to buy stocks for your TFSA with lower yields, but ones that offer much faster dividend and share price growth. If that's the type of stock you're looking for today, then one of the best to buy now is **Canadian Tire** (TSX:CTC.A).

Canadian Tire is one of the best-known and top-performing retail companies in Canada. It's not just its own stores that are performing well, either. Every retail banner in Canadian Tire's portfolio, including Mark's, Sportchek, and Party City, have seen strong sales growth.

This growth has translated directly to share price growth but also to the growth of Canadian Tire's dividend. Over the last five years, the company has increased its payout to investors on five separate occasions and by a total of 100%. In other words, in just five short years, the company has doubled what it's paying back to investors.

This just goes to show the potential that investors have to find high-quality dividend growth stocks to buy in a TFSA. The stock may only offer a yield of 3%, but over the long haul, that should grow considerably.

Plus, over the long run, if Canadian Tire's revenue growth eventually does start to slow, the company can increase the payout ratio, helping the dividend to grow even faster.

So if you're looking for a top dividend stock to buy in your TFSA, Canadian Tire offers some of the best dividend growth potential of any stock in the country.

A top Canadian stock to buy for consistently growing passive income

If you're an investor that's still interested in dividend growth but want higher-yield stocks for your TFSA, **Emera** (TSX:EMA) is one of the best investments to make for consistently growing passive income.

Emera is a utility stock, which doesn't just mean a safe business and low-volatility stock. It also means that the growth potential it has is highly predictable and very low risk.

So you can count on Emera to not just remain robust through the uncertain market environment that we're in today. But the company will also be investing in growth to increase the value of both the shares and the dividend it pays.

Right now, the ultra-safe Canadian dividend stock offers a yield of roughly 4.2%, making it perfect for your TFSA. Plus, the company has already said investors can expect between 4% and 5% dividend growth at least through 2024.

So if you're looking to add defence and investments that will constantly earn you a return on your capital, Emera is one of the top dividend growth stocks that Canadian investors can buy in their TFSA today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:EMA (Emera Incorporated)

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Date
2025/08/14
Date Created
2022/03/08
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