



TSX Dividend Stocks: How to Earn Tax-Free Income Regardless of the Market's Direction

Description

Whenever the market is rallying, and stocks across the board are gaining value, there is little investors have to worry about. Whether it's growth stocks, dividend stocks, or the top value stocks on the TSX, everything can seem great when the market is on a bull run.

But every now and then, when the [market corrects](#), or there's a black swan event that impacts global markets, it's a good idea to re-evaluate our portfolios.

Recently, there has been a tonne of factors impacting stocks. And while some stocks have seen their values plummet, others have been flat or even gaining value.

So, if you've been underperforming the market lately or want to buy more stocks that can earn you income regardless of the direction of the market, here's why dividend stocks are some of the best long-term investments on the TSX.

The advantages of owning top TSX dividend stocks

One of the first and most basic reasons TSX dividend stocks are so attractive is that they are typically viewed as less risky and less volatile than non-dividend-paying stocks. Dividend payments, especially coming from high-quality and reliable companies, are much more predictable than capital gains.

This extends to dividend growth as well. Often [utility stocks](#) have such low-risk growth that they can predict accurately how much they will increase their dividends several years in advance.

Emera ([TSX:EMA](#)), a top Canadian dividend stock with over \$30 billion in assets across six countries, is one of these stocks. Right now, its dividend offers an attractive yield of 4.4%, but it's also announced that it expects to increase the dividend between 4% to 5% each year through 2024.

By announcing ahead of time its guidance for earnings but also its dividend increase, it allows investors to value the stock much better since you know more or less how much the investment will be

earning you a few years down the line.

And there are plenty of other high-quality dividend stocks on the TSX, just like Emera offering this low-risk dividend growth.

Plus, this lack of uncertainty makes these stocks a lot lower risk to own, resulting in them being a lot less volatile. That's another benefit of top TSX dividend stocks. They can typically protect your capital well. And if you look, over the last couple of weeks, when the broader market was selling off, some of the safest large-cap dividend stocks have actually rallied to all-time highs.

In addition to the fact that top TSX dividend stocks are almost always lower-risk investments, receiving dividends gives you more choice as your portfolio value grows. By having cash returned to you, you can also choose to reinvest in that stock, or you can take that capital and reinvest it elsewhere, giving you more options.

Bottom line

To be successful with investing, it's all about taking a long-term approach and finding high-quality stocks, this way, holding them for the long run, you don't have to worry about any short-term volatility.

And with high-quality TSX dividend stocks, these investments will not only grow the income they return to you but over time as that dividend as well as their earnings are growing, the share price of these top stocks will inevitably follow.

Going back to Emera, it's increased its payout by over 25% in just the last five years, but its share price has also grown by over 30% as well. This has resulted in Emera earning a total return for investors of 67% over those five years or a compounded annual growth rate of 10.9%.

So, if you're looking for high-quality investments on the TSX that you can buy and hold for years, top Canadian dividend stocks are some of the best to consider.

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