TFSA Investors: The 3 Best Dividend Stocks for Passive Income

Description

TFSA investors can enjoy passive income that is growing. If you don't want to buy the wrong dividend stocks for passive income, do your homework beforehand. Here are three of the best dividend stocks you should look into for tax-free passive income in your TFSA.

Buy Brookfield Infrastructure stock

Brookfield Infrastructure Partners (TSX:BIP.UN)(NYSE:BIP) is one of the best dividend stocks for passive income in investors' TFSA. This utility stock has increased its cash distribution every year like clockwork for more than a decade. Its three-year dividend-growth rate is approximately 6.4%.

Since it invests in quality infrastructure assets across multiple industries (transport, midstream, utilities, and data) around the globe, it has plenty of growth opportunities over the next decades. Other than being a value investor, it also has the expertise to improve its diversified operations.

Its global presence, value investor and owner mindset, and operational expertise are competitive advantages that allow it to outperform its peer group in the long run. For example, in the five-year period ended 2021, it delivered annualized total returns of 19% versus the peer group that delivered returns of 10-12%.

Going forward, TFSA investors can count on BIP increasing its cash distribution by at least 5% per year. At writing, it offers a yield of just over 3.4%.

This Canadian REIT is great for passive income

Canadian Net REIT (TSXV:NET.UN) is a relatively undiscovered gem. Passive-income investors will be impressed. It has increased its monthly cash distribution for about a decade with a five-year dividend-growth rate of 13.3%. Its payout ratio is only about 50%.

The Canadian REIT generates rental income across 92 commercial real estate properties. The stability of its cash flows is above average, because it saves on a bunch of insurance, tax, maintenance, and management costs that its tenants agree to pay. You're sure to know its top tenants — **Loblaw**, **Walmart**, Sobeys, **Suncor**, and **Metro** contribute about 58% of its net operating income.

Note that the dividend stock has low trading volume, but that shouldn't be a problem if you plan to sit on the shares for growing passive income in your TFSA. NET.UN offers an awesome yield of 4.3% right now!

Manulife stock

Manulife (TSX:MFC)(NYSE:MFC) stock's earnings quality seems to have improved over the years. During the pandemic, its adjusted earnings per share (EPS) only dropped 7%. By 2021, its EPS more than rebounded to the normalized 2019 levels.

Over the next few years, analysts are projecting an EPS growth rate of at least 8%, which makes the stock super cheap at approximately 7.7 times earnings. The life and health insurance company generates about 30% of its revenues from Asia, where it should benefit from the growing middle-class population.

If Manulife can really increase its earnings by 8% per year, there's a good probability it will increase its dividend around that rate as well. After all, its payout ratio is estimated to be roughly 38% this year. And right off the bat, it already starts TFSA investors with a generous yield of over 5.1%!

CATEGORY

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TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:MFC (Manulife Financial Corporation)
5. TSXV:NET.UN (Canadian Net Real Estate Investment Trust)

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