3 Top Cash Cows to Buy for Your TFSA

**Description**

Some investors chase high-yield dividend stocks for one reason alone – more income streams. The higher the yield, the higher are the rewards. However, the element of risk is ever-present because the payouts might not be sustainable during economic downturns.



Still, people with high risk appetites will not pass up on the opportunity to earn juicy dividends. On the TSX, TFSA investors have three cash cows to choose from. **Labrador Iron Ore Royalty Corp.** (TSX:LIF) or LIORC, **Diversified Royalty** (TSX:DIV), and **True North Commercial** (TSX:TNT.UN) are dividend beasts to buy for your tax-advantaged investment account.

## High-yield, but inconsistent

LIORC pays an over-the-top 13.09% dividend, which is ideal for TFSA holders. Also, at $42.30 per share (+12.71% year to date), the royalty stock continues to outperform in 2022. While the dividend offer is very enticing, the yield is suspect because the payouts are inconsistent.

Hollinger-Hanna, a LIORC subsidiary, collects a 7% gross overriding royalty (7%) from all iron ore products of the Iron Ore Company of Canada (IOC). The latter is the leading producer and exporter of premium iron ore pellets and high-grade concentrate in North America.

The yield is extremely high today because of higher iron ore prices and pellet premiums. In 2021, the $2.7 billion royalty corporation reported 67% and 94% increases in net income and adjusted cash flow per share versus 2020. The rebound in global steel production last year also helped the global economy recovered from the COVID-induced lockdowns in 2020.

Another factor to consider is the seasonality of the business. Royalty streams from the source vary from quarter to quarter. Hence, expect the yield to fall when IOC's production and revenue levels fall.

## Cheap dividend play

Like LIORC, Diversified Royalty collect royalties from the sales of six royalty partners. The $402 million multi-royalty corporation owns the trademarks to Mr. Lube, AIR MILES, Mr. Mikes, Sutton, Nurse Next Door, and Oxford Learning Centres.

This royalty stock is perhaps the best deal for TFSA users. Besides the share price of only $3.28, the dividend yield is a mouth-watering 6.55%. Management's game plan is straightforward. It hopes to increase cash flow per share by purchasing accretive royalties and growing them. The ultimate desire is to pay predictable and stable dividends to shareholders.

The businesses of royalty partners are returning to pre-coronavirus levels. In 2021, Diversified Royalty reported identical 19.5% growth in adjusted revenues and adjusted royalty income compared to 2020. Also, management increased dividends twice last year (August and November 2021). Current investors are up 18.45% year to date.

## Solid tenant base

True North Commercial in the real estate sector is value-for-money. At $7.22 per share, the corresponding dividend is 8.24%. This $662.37 million real estate investment trust (REIT) owns and operates income-producing commercial properties.



The investment thesis for the REIT is its tenant profile. Among the anchor lessees are the federal government, four provincial governments, and credit-rated companies. True North's total return in the last five years is 85.16% (13.10% CAGR), a fairly decent reward to investors. Your $6,000 maximum TFSA limit for 2022 can purchase 831 shares.

## Understand the risks

Dividend stocks are must-haves in a TFSA for faster compounding of balances. Users, however, must understand the inherent risks to a business, especially when the yield is much higher than the market average.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:DIV (Diversified Royalty Corp.)
2. TSX:LIF (Labrador Iron Ore Royalty Corporation)
3. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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