TFSA Investors: Bolster Your Passive Income With These 3 Stocks

Description

Many investors use the stock market to build a source of passive income. By buying enough shares of dividend-paying stocks, investors can supplement and perhaps even replace the income they receive from work. Investing in a TFSA makes the process a lot simpler. This is because investors aren't required to pay any taxes on the dividends they receive. In this article, I'll discuss three stocks you should buy for your TFSA. These stocks could help bolster your passive income!

Look at recession-proof businesses

By focusing on recession-proof business, investors could increase their odds of finding reliable dividends. This is because recession-proof businesses don't experience significant decreases in earnings during those periods of economic uncertainty. For example, regardless of what the economy looks like, utility companies should remain in high demand. As a result, their revenues and dividends tend to be more stable.

That's likely a large reason why **Fortis** (TSX:FTS)(NYSE:FTS) has been able to pay a dividend for as long as it has. In fact, Fortis is well-known among investors for its long streak of dividend increases. The company has increased its dividend in each of the past 47 years. Investors should note that this stock has a higher dividend-payout ratio than other top dividend companies. However, I would remain confident in this stock due to its long history of success.

Take advantage of high-yielding stocks

By investing in high-yielding stocks, investors are able to get more bang for their buck. To illustrate how this works, a $10,000 investment in a stock yielding 5% would generate $500 in dividends. However, the same $10,000 in a stock yielding just 2% would generate $200 in dividends. The issue with focusing on a stock's dividend yield is that there are many subpar dividend stocks that offer very attractive yields. Investors should still consider other aspects of a company before investing due to a high dividend yield.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is an example of a great dividend stock that offers investors an attractive dividend yield (4.70%). Investors should also note that this company has successfully paid shareholders a dividend in each of the past 189 years. That's very impressive considering many big-name stocks suspended dividends recently due to the COVID-19 pandemic.

Ensure the dividend has been growing

Finally, investors should check to see whether a company's been able to increase its dividend over the years. This is important because investors would lose buying power over time, if a stock isn't able to increase its distribution over time. Generally, I look for companies that maintain a five-year dividend-growth streak of at least 5%. However, in an ideal situation, investors would find stocks that increase dividends at a CAGR of 10% of greater.

goeasy (TSX:GSY) is an example of a company that has managed to increase its dividend at a very fast rate. In 2014, the company paid $0.085 per share. Today, goeasy's quarterly dividend is $0.91 per share. That represents a CAGR of more than 34% over that period. If goeasy has been a significant portion of your dividend portfolio, your source of passive income would have greatly outpaced the rate of inflation over the past eight years.

CATEGORY

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3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:FTS (Fortis Inc.)
5. TSX:GSY (goeasy Ltd.)

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