



3 Dividend Stocks to Stash in Your TFSA

Description

Investors usually stash dividend stocks, especially reliable, high-yield dividend stocks, in their TFSAs because they wish to start a tax-free passive income. But with the right mix of dividends and capital-appreciation potential, you can also grow your TFSA nest egg at a decent rate.

A financial stock

IGM Financial ([TSX:IGM](#)) is a stock you should look into primarily for its dividends, though it does offer some capital appreciation as well. In the last five years, the stocks have seen two growth phases. One growth phase pre-pandemic pushed the company's value up 30% in about 15 months.

The post-pandemic growth phase of over 100% was market driven and cannot be attributed to the stock's inherent potential.

Dividends are one area where the stock truly shines. It is offering a healthy 5.1% yield (partly due to the 15% fall the stock has experienced from its recent peak), and it's backed by a stable payout ratio of 55%.

This ratio hasn't risen 85% in the last decade, endorsing the financial stability of the dividends of this financial company.

A renewable energy company

Another company that's offering the exact yield (5.1%), albeit with better growth potential, is **TransAlta Renewables** ([TSX:RNW](#)). It's a Calgary-based [power-generation](#) company that uses multiple renewable sources to generate electricity, like hydro, wind, and solar (just one facility).

It also uses natural gas, but most of its agreements expire within this decade, and the rest expire before 2050.

This means that the company will most likely be able to reach net-zero by 2050 or possibly before that. Its wind and hydro focus already make it an intelligent ESG investment.

It's a slightly overvalued stock now, even though it's trading at a 22% discount from its post-pandemic peak. Its capital-appreciation potential is cyclical, and before the 2020 crash, it grew roughly 75-80% in a little over a year.

A mortgage company

MCAN Mortgage ([TSX:MKP](#)) might offer its investors the best of both worlds. The growth is cyclical and is not quite aggressive, but it *is* there, and the stock has gone up over the years. And despite the fact that the current discount (from the recent peak) is just about 7.8%, the current yield is a mouthwatering 8%.

And [the dividend](#) is pretty stable, considering the stable payout ratio of 56%. This ratio has remained stable for a while and has only pushed beyond 100% once in the last 10 years.

Apart from its great yield and modest growth potential, another reason to buy the company is its position as a government-backed mortgage company and the tendency to offer healthy special dividends. It's also growing its payout at a decent pace.

Foolish takeaway

Stashing these dividend stocks in [your TFSA](#) can help you start a decent passive income, assuming you are investing a decent sum. However, if you are only working with relatively limited capital, you might consider the DRIP and growing your stake in the companies steadily.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:IGM (IGM Financial Inc.)
2. TSX:MKP (MCAN Mortgage Corporation)
3. TSX:RNW (TransAlta Renewables)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. adamothonman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/09/07

Date Created

2022/04/24

Author

adamothonman

default watermark

default watermark