TFSA Users: 3 Stocks With Yields up to 6%

Description

When you have to start a passive income, a Tax-Free Savings Account (TFSA) is the most realistic and practical option. In an RRSP, you can grow the size of your holding through DRIP or accumulate cash for other investments. In non-registered accounts, the CRA will take a big bite out of your dividend earnings.

This leaves TFSA as the best place to stash your high-yield dividends so that you can augment your income.

And if your threshold for high yield is 6%, three companies should be on your watchlist.

An energy giant

The energy sector is finally normalizing after an impressive bullish run, and with the discounted stocks comes the added bonus of a slightly beefed-up yield. This makes companies like **Keyera** (TSX:KEY), with its juicy 6.4% yield, an attractive buy. The stock is currently available at a 15% discount, and it's almost fairly valued.

As one of the largest midstream players in Western Canada, Keyera has a decent competitive edge, but it hasn't allowed the stock to outperform the sector. Like most of the energy sector, Keyera's stock started sliding down in 2015.

And now that the post-pandemic growth momentum is over, the stock's chief offering is its dividends, an area where it shines. It offers monthly distributions and has sustained and grown its dividends for years, despite high payout ratios.

A mortgage company

First National (TSX:FN) is a leader in Canada's non-bank mortgage lender market segment. It issues commercial and residential mortgages and has an impressive network of brokers. The stock is currently available at a 33% discount from its recent peak and a 20% discount from its pre-pandemic (2019) peak.

This price point and the current undervaluation make this stock attractive for more than just its dividends. When the market stabilizes after the expected 2023 recession and starts growing, despite the higher interest rates, there is a strong probability that it will offer growth similar to its pre-2019 peak growth. It was uneven, but it pushed the value of the company up over 170% in seven-and-a-half years.

The growth potential would improve alongside the size of the discount you can grab. And if you can buy it lower, you can lock an even more impressive yield than the current 6.7%. It also stands out as a Dividend Aristocrat.

A financial holding company

Another dividend aristocrat currently offering a yield above 6.1% is **Great-West Lifeco** (TSX:GWO). The stock is trading at a 9% discount from its pre-pandemic peak and is currently undervalued. It might not be a very strong buy from a capital-appreciation perspective. Still, you can significantly improve the growth potential of this holding by buying it as low as possible.

The company operates in three major markets — Canada, the U.S., and Europe, through four subsidiaries. And as a holding company, it has an extensive reach: Over 30 million customers and about $2 trillion in assets. The company itself is mostly owned by the **Power Corporation of Canada**, which has about a 70.5% stake in it.

Foolish takeaway

The three stocks can help you start a decently sized passive income from your TFSA. If you invest $15,000 in each of the three dividend stocks, you can start a monthly passive income of about $240. That’s a decent enough amount considering you would only use about 55% of a fully stocked TFSA to start this income.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:KEY (Keyera Corp.)

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Date
2025/08/14
Date Created
2022/07/14
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