TFSA Investors: 3 Dividend Stocks That Pay You Monthly

Description

If passive income is the main reason you are investing in a dividend stock, then a monthly distribution frequency is an attractive "characteristic." You can augment your monthly income with dividends; if they come out of your Tax-Free Savings Account (TFSA), this additional income will not overburden your tax bill.

It's also important to note that monthly dividends are most common among real estate investment trusts (REITs), but you may find dividend payers with a monthly frequency among almost all sectors and industries.

A renewable energy company

TransAlta Renewables (TSX:RNW) is a Calgary-based renewable energy company focusing on three power sources: wind, hydro, and natural gas. It also has storage assets and a solar project, but wind-based renewable projects dominate its portfolio. Most of the projects are in Canada, but a few are in the U.S. and Australia.

It's a dividend stock and may offer modest capital appreciation if you hold it for long enough. It has returned about 80% to its investors through price appreciation alone since Aug. 2013.

This translates to less than 10% growth a year, which is just enough to keep your invested capital out of the clutches of inflation. But the yield is decent enough at 5.2%. You can start a sizeable monthly passive income if you divert enough money to this investment.

A mortgage company

Monthly dividends are not common in the financial industry, but then you have companies like **Atrium Mortgage Investment** (TSX:AI) that offer a robust 7.6% yield and pay monthly dividends. It's a small-cap mortgage company based in Toronto that provides both residential and commercial mortgages. It has carved out a decent portion of the mortgage market that the major banks do not dominate.

Atrium is a decent dividend stock with an attractive yield and a good track record regarding sustainability. The payout ratio hasn't crossed over the 100% threshold in the last 10 years, though it has come very close. This means that the dividends are relatively safe from a financial perspective.

The stock doesn't offer a healthy capital-appreciation potential. Though if we consider the stock's performance before the 2020 crash and assume that it will perform the same way in future healthy markets, it *may* help your capital grow at least enough to outpace inflation.

A REIT

Monthly dividends are common among REITs, but not all REITs might be the right fit for your TFSA. **NorthWest Health Properties REIT** (TSX:NWH.UN) is a good option for multiple reasons, starting with a juicy 6.14% yield the REIT is offering now. The payout ratio is another valid reason, which has mostly been stable, apart from 2018 and 2019.

The stock has gone through at least two primary growth cycles since its inception. And even if you *had* invested in the REIT when it was listed in the market (over a decade ago — 2010), you would have only grown your capital by about 28%, which is not even enough to neutralize the impact of inflation over that period. But it's still better than a dividend stock that would have returned a loss of capital.

Its international portfolio of healthcare assets, which is an evergreen business, gives its payouts an additional layer of security (beyond the payout ratio).

Foolish takeaway

If you are wondering what a TFSA-worthy dividend stock is, there is no universal answer, as different investors have different interpretations of the "right" stock. However, the three companies above may fit the bill for most conservative investors looking for a sizeable and sustainable passive income via dividend stocks in their TFSAs.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AI (Atrium Mortgage Investment Corporation)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)
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. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/19
Date Created
2022/08/10
Author
adamothman