3 TSX Stocks With High Dividend Yields

Description

When stock prices are low, dividend yields are high

The time is ripe to make the TFSA buy

Reinvest your dividend or take it in cash

Invest regularly so you have wealth to splash.

I hope you enjoyed my attempt at rhyming. Let's talk investments. The stock market fell yesterday ahead of the U.S. Federal Reserve's interest rate hike. **Tesla** CEO Elon Musk warned of deflation risk if there is a significant rate hike. Like always, there were *for* and *against* tweets on Musk's warning. But one cannot deny that the interest rate hike is adversely impacting the economy and stock market.

What to do in a volatile market?

One good thing about a volatile market is dividend stocks. When share prices fall because of market weakness, dividend yields rise. Yield is the dividend per share as a percentage of the stock price. The market movements don't impact the dividend amount of aristocrats. Hence, the yield rises because you can secure the same X dollars per share in annual dividend at a discounted share price.

Three stocks with high dividend yields

The Canadian stock market has many high-quality dividend stocks in the energy and real estate sectors. These stocks all pay a healthy 5% or higher dividend yield.

- **BCE** (TSX:BCE)(NYSE:BCE) – 5.74%
- **Enbridge** (TSX:ENB)(NYSE:ENB) – 6.19%
- **TransAlta Renewables** (TSX:RNW) – 5.45%

BCE stock

Canada's telecom giant BCE has a history of paying dividends from subscription money. The company is in the last year of its three-year capital acceleration program to build fibre and 5G infrastructure. It aims to increase its subscription base by connecting the remotest areas. The fifth-generation wireless technology rollout will pave the way for the internet of things (IoT) proliferation. Users are anxiously awaiting broadband-like speed and latency on their mobile devices. With high demand building for higher speeds, more devices will be connected to 5G, bringing more subscription money to BCE.

BCE has been increasing its dividend at an average annual rate of 5% for 12 years, and 5G could help it further up this rate. If you opt for a dividend reinvestment plan (DRIP), this dividend amount will buy you more shares and help you build a significant amount in 20 years. If the stock maintains 5% dividend growth and a relatively stable share price, a $5,000 investment today through a Tax-Free Savings Account (TFSA) can become $25,000 in 20 years. A 5% dividend yield could increase your dividend income from $250 at present to $1,250 by 2042.

Enbridge stock

Enbridge is another dividend aristocrat with 27 years of dividend growth history. This pipeline infrastructure company pays dividends from the toll money it collects for transmitting oil and gas through its pipelines. Enbridge is growing its exposure to liquefied natural gas (LNG) as the demand for LNG exports grows.

Since Europe has imposed sanctions on its major gas supplier Russia, it has been buying all available natural gas in the market. The United States became the largest LNG exporter in the first half of this year as it exported mainly to Europe. These geopolitical events are creating a long-lasting shift in the energy supply chain. Europe is signing long-term LNG supply contracts, making LNG transmission an attractive investment.

The natural gas from Enbridge's upcoming LNG projects already has market demand, which could drive its future cash flows. The company suspended its DRIP in 2018 until further notice. But it continues to pay an annual dividend yield of over 6%. A $3,000 investment in Enbridge could pay $180 in annual dividend income. I expect dividend growth of 5-7% in December since its business has recovered from pandemic weakness.

TransAlta Renewables

With three-year revenue growth of 8.6%, TransAlta Renewables is a mid-cap stock growing its top line faster than the two large caps above, plus offers a dividend yield of over 5%. TransAlta has been paying regular monthly dividends since September 2013, with a few hikes along the way.

The company develops wind, hydro, natural gas, and solar power plants and has a healthy pipeline of projects. In 2022, it expects the dividend payout ratio to be between 88% and 102%. Management plans to reduce this ratio to 80%-85% by increasing its cash flows from new projects. I don't expect any dividend growth until then.

The United States and Europe have passed energy bills favouring accelerated investment in wind energy, which could benefit TransAlta in the long term.

If you already own the above three stocks, keep holding them. And if you don't own them, they are a good investment to enhance your passive income portfolio.

CATEGORY

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2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:RNW (TransAlta Renewables)

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