The 3 Best Dividend Stocks for Your TFSA

Description

The TFSA (Tax-Free Savings Account) is an excellent tool for investing. As the dividend income earned in a TFSA is tax free, it is an ideal route for investors to earn regular passive income. So, for investors seeking tax-free passive income and willing to leverage the TFSA, here are three Canadian dividend stocks to earn solid passive income.

Enbridge

Enbridge (TSX:ENB) is a large-cap company with a solid dividend payment and growth history, making it a reliable bet to earn steady passive income. Enbridge's payouts are supported by its high-quality energy infrastructure assets underpinned by power-purchase agreements and regulated cost-of-service tolling frameworks. Further, it owns over 40 diverse cash streams and 80% of its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) has protection against inflations, which augurs well for its dividend payments.

Thanks to its resilient business model, Enbridge's shareholders have benefitted from 27 consecutive years of dividend growth. Further, the company has been paying a regular dividend for over 67 years.

The company is focused on expanding and modernizing its conventional pipelines. Furthermore, it continues to invest in renewable assets. Its two-pronged growth strategy positions it well to capitalize on energy demand and will likely support its distributable cash flow per share. Its new assets coming into service, increase in adjusted EBITDA, and productivity savings will drive its distributable cash flows and dividend payouts.

Besides its well-covered payouts, investors will also benefit from its high dividend yield of 6%.

Algonquin Power & Utilities

The appearance of **Algonquin Power & Utilities** (TSX:AQN) on this list might surprise you, especially given the company's recent earnings guidance cut. Notably, the company lowered its adjusted earnings-per-share forecast for 2022 to a range of $0.66-$0.69 from $0.72-$0.77 due to the higher interest rates, macro weakness, and delays in the completion of renewable energy projects.

Further, the company said it is evaluating its longer-term targets, which has raised concerns over future dividend payouts. In reaction to this, Algonquin stock lost significant value, driving its yield to over 9%.

While the higher interest rate expenses and macro headwinds will pressure its margins, its growing rate base and power-purchase agreements will continue to support its payouts. Even with a small dividend cut, Algonquin Power's yield will remain high, making it a lucrative investment to generate tax-free dividend income.

TC Energy

Like Enbridge, **TC Energy** (TSX:TRP) is a reliable dividend stock in the energy sector. Its energy infrastructure assets generate resilient cash flows that support its payouts. For instance, TC Energy's dividend has had a CAGR of (compound annual growth rate) of 7% in the last 22 years. Furthermore, it is confident of increasing its dividend by 3-5% per annum in the future.

TC Energy's regulated and contracted assets remain relatively immune to the market cycles and witness a high utilization rate. Also, these assets account for about 95% of adjusted EBITDA, implying that its payouts are well protected.

TC Energy's multi-billion secured capital projects will drive its regulated and contracted assets base, which will drive its dividend payments. Further, the stock offers an attractive yield of 5.6%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AQN (Algonquin Power & Utilities Corp.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:TRP (TC Energy Corporation)

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Date
2025/08/26
Date Created
2022/11/21
Author
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