



TFSA Investors: 2 Dividend-Paying Mortgage Stocks to Boost Your Income in 2023

Description

For the first time since 2019, the annual Tax-Free Savings Account (TFSA) contribution limit in 2023 won't be \$6,000 anymore. It appears that the decision of the federal government to increase the limit by \$500 to \$6,500 was due to high inflation.

The top-up is welcome news and an added motivation for TFSA users to maximize their accounts and boost [tax-free income](#) next year. If you're scouting for high-yield stocks to hold in 2023, consider buying high-yield, dividend-paying mortgage stocks **MCAN Mortgage** ([TSX:MKP](#)) and **Timbercreek Financial** ([TSX:TF](#)).

The table below shows how many MCAN or Timbercreek Financial shares you can buy using your new \$6,500 TFSA limit. You can also compare the dividend yields, potential income from the investment, and the frequency of the payouts.

Stock	Current Price	Shares	Yield	Dividend	Frequency
MKP	\$16.64	390	8.72%	\$141.70	Quarterly
TF	\$7.85	828	8.53%	\$46.20	Monthly

Invested for the long term

MCAN Mortgage is a Loan Company and a Mortgage Investment Corporation (MIC) in Canada. It operates under the Trust and Loan Companies Act as a loan company. It is subject to the guidelines and regulations of the Office of the Superintendent of Financial Institutions Canada (OSFI). As an MIC, it falls under the Income Tax Act.

The specialized portfolio of this \$535.44 million company consists of Canadian mortgages, loans, private investment funds, and [real estate investment trusts](#) (REITs). MCAN capitalizes on special financing and investment activities by making strategic investments. Performance-wise, the stock is beating the broader market year to date at +2.77% versus -4.72%.

In the third quarter (Q3) of 2022, MCAN's net income fell 10% to \$11.7 million versus Q3 2021. Management said the decline was due to the unrealized fair value losses in the REIT portfolio. Its president and chief executive officer (CEO) Karen Weaver said the rising interest rate environment, housing market challenges and inflation are causing uncertainty in the Canadian economy.

Nevertheless, Weaver said, "Our business has various levers and attributes that are positive for managing net mortgage interest income in a rising interest rate environment." Also, because MCAN invests long term, management expects to continue realizing the benefits of solid cash flows and distributions from these investments.

Durable mortgage portfolio

Timbercreek's portfolio has been healthy and stable in 2022 despite the strong headwinds. This \$659.2 million non-bank lender provides short-term (not more than five years) structured loans to commercial real estate clients. In Q3 2022, net income increased 30% to \$13.5 million versus Q3 2021.

Blair Tamblyn, Timbercreek's CEO, said, "Our mortgage portfolio continued to perform well in the third quarter, demonstrating the durability through market cycles that have become a hallmark of our income-focused investment philosophy." Notably, the company's largely variable rate portfolio benefits from the rising-rate environment. As a result, the distributable income rose 24% year over year to \$16.8 million.

Better quarters ahead

MCAN and Timbercreek Financial see better quarters ahead, as both companies anticipate a return to more typical mortgage transactions and levels next year. Moreover, there are no indications that the generous dividend payments are under threat. TFSA investors can take positions in one or both at the start of 2023 for higher tax-free income throughout the year.

CATEGORY

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2. Investing

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