



The 3 Best Dividend Stocks for Your TFSA

Description

[Investing in dividend stocks](#) could help you build a solid source of passive income. By utilizing a [Tax-Free Savings Account](#) (TFSA), investors aren't obligated to pay taxes on any dividends they generate. That could help you snowball your account much quicker, putting you much closer towards financial independence. However, it's very important to pick the right stocks to hold in a dividend portfolio.

In this article, I will discuss the three best dividend stocks for your TFSA.

Start with one of the best dividend-paying stocks around

If I could only buy one stock for a dividend portfolio, it would be **Fortis** ([TSX:FTS](#)). For those that are unfamiliar, this company provides regulated gas and electric utilities to more than three million customers across Canada, the United States, and the Caribbean. In 2021, Fortis generated about \$9.4 billion in revenue.

One of the best dividend-paying stocks on the TSX, Fortis is listed as a Canadian Dividend Aristocrat. This means that the company has managed to increase its dividend distribution for at least five consecutive years. However, it would be a disservice to the stock if I forgot to mention that the company's dividend-growth streak currently stands at 49 years. That gives it the second-longest active dividend-growth streak in the country. Fortis [plans to continue](#) raising its distribution at a rate of 4-6% through to at least 2027.

This company has a fast-growing dividend

Canadian National Railway ([TSX:CNR](#)) is the second stock that dividend investors should consider buying for their TFSA. One of the largest railway companies in North America, Canadian National operates nearly 33,000 km of track. Its rail network spans from British Columbia to Nova Scotia and as far south as Louisiana.

Another Canadian Dividend Aristocrat, Canadian National has managed to increase its dividend in

each of the past 26 years. That makes it one of only 11 TSX-listed companies to maintain a dividend-growth streak of that length. It should be noted that Canadian National's dividend has grown at a remarkable compound annual growth rate of 15.7% over those past 26 years. With a payout ratio of about 37%, Canadian National has a lot of room to continue growing its distribution in the future.

A stock that has been paying shareholders for nearly two centuries

Finally, investors should consider buying shares of **Bank of Nova Scotia** ([TSX:BNS](#)). This is one of Canada's largest banks in terms of assets under management, market cap, and revenue. In my opinion, what separates Bank of Nova Scotia from its peers is its dedication on international growth. I believe its decision to focus on the Pacific Alliance could pay off in spades in the future.

In terms of its dividend, Bank of Nova Scotia hasn't missed a payment since 1833. That represents 189 years of continued dividend distributions. Investors should also be pleased to know that the forward dividend yield on this stock is 6.29%. Coupling its long history of dividend payments with that amazing forward yield, it becomes easy to see why Bank of Nova Scotia should be a top holding in a TFSA.

CATEGORY

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2. TSX:CNR (Canadian National Railway Company)
3. TSX:FTS (Fortis Inc.)

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