TFSA Investors: Make $400 Cash Every Year From a $6,500 Investment

Description

As markets are expected to remain volatile in 2023, it makes sense to stay defensive. And it does not mean you will have to make a big compromise on returns when you are high on defensives. Rather, these safe and less-volatile names will provide stability and stable dividends every year.

And if you are investing via TFSA (Tax-Free Savings Account), the capital gain and dividends will be tax free. The long-term effect of holding stocks in TFSA is quite remarkable, as no money is lost in taxes, and compounding takes place in full.

So, here are three top dividend-paying TSX stocks for your TFSA.

Enbridge

Canadian energy midstream giant **Enbridge** (TSX:ENB) offers handsome dividends. It yields some of the highest 6.6% and has raised shareholder payouts for the last 28 consecutive years. So, if you invest $6,500 in ENB, it will make $430 in dividends every year. As the company increases its profits, Enbridge will likely raise shareholder payouts as well.

As crude oil prices increase, oil-producing companies make money. Thus, oil-producing stocks have a moderate positive correlation with oil prices. On the flip side, they also fell when oil prices tumbled. In case of Enbridge, it has a much lower correlation with oil prices, which makes it much less volatile. This explains its relative underperformance, where ENB stock has returned 16%, while TSX energy stocks have returned 50% this year.

However, Enbridge's dividend reliability stands notably tall. It makes money from fixed-fee, long-term contracts, which facilitates dividend stability.

BCE

BCE (TSX:BCE) is another name with a rich dividend profile. It yields 6.1%, way higher than TSX stocks at large. Investing $6,500 in BCE stock will make $397 in dividends annually.

Telecom companies earn stable cash flows from their large, regulated operations. So, when high-growth companies experience earnings decline amid economic downturns, companies like BCE play well and outperform. In the last 10 years, BCE's net income has increased by 2%, compounded annually. The stock has returned 9% compounded annually in this period, thanks to its consistently growing dividends.

The Canadian telecom industry is an oligopoly with a market share of almost equally divided between three top players. BCE has the second-largest wireless subscriber base and dons a relatively superior balance sheet. Its earnings and dividend stability stand tall in volatile markets and will likely play well for the long term.

Fortis

Utility stocks are classic recession plays as they keep growing steadily, even during economic downturns. **Fortis** (TSX:FTS) is one of the top utility stocks with a stable dividend profile. It currently yields 4%, which is in line with its peers.

Fortis has seen several recessions in the past and has kept its dividend-growth streak intact. This indicates its earnings visibility and dividend stability. So, it will likely keep raising shareholder payouts, even if a recession comes in 2023.

FTS has returned a negative 5% in 2022 amid rapidly rising interest rates. However, it will likely outperform in the long term, as the interest rate hike cycle reverses.

CATEGORY

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Date
2025/08/24
Date Created
2022/12/31
Author
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