TFSA: 2 Top Canadian Dividend Stocks for Your $6,500 Room Contribution

Description

With another new year underway, Canadian investors with maxed-out Tax-Free Savings Accounts (TFSAs) can now contribute more to their tax-advantaged accounts. The start of the year also came with the announcement of an additional $6,500 contribution room in TFSAs.

There are several ways you can use the new contribution room. Since you do not have obligations to pay taxes on any income generated within the account, one of the best ways to use the contribution room can be to allocate some of it to dividend-paying stocks.

Investing in dividend stocks can help you grow your account balance much faster than interest income on cash held in the account can. Reinvesting your dividend income to buy more shares of the dividend stocks can help you create a snowball effect that helps you grow your wealth much faster for a stronger financial future.

Today, we will look at two of the most reliable Canadian dividend stocks you can invest in for this purpose.

Fortis

Fortis (TSX:FTS) is a $26.58 billion market capitalization utility holdings company that owns and operates several utility businesses across Canada, the U.S., Central America, and the Caribbean. Being a major provider of electricity and natural gas utility services, Fortis offers an essential service, virtually guaranteeing its revenue-generation capacity.

To make things better, Fortis relies primarily on highly regulated and long-term contracted assets to earn most of its revenue, allowing it to generate predictable cash flows.

The Canadian Dividend Aristocrat has the second-longest active dividend-growth streak among Canadian stocks, and it offers payouts at a juicy 4.08% dividend yield.

As of this writing, Fortis stock trades for $55.34 per share. It is down by 15.2% from its 52-week high on account of macroeconomic factors like high interest rates affecting its performance. However, the company has no plans to stop increasing its dividend payouts in the coming years.

Canadian National Railway

When you want to invest in a company capable of delivering stable long-term returns, **Canadian National Railway** (TSX:CNR) can be an excellent asset to consider. The $109.89 billion market capitalization company is not just Canada's largest railway company.

It is one of the largest in North America. Canadian National Railway operates over 30,000 km of track, spanning all the way from British Columbia to Nova Scotia and across the border as far south as Louisiana.

Canadian National Railway stock has increased its shareholder dividends at a compound annual growth rate of 15.7% over the last 26 years. As of this writing, the stock trades for $162.88 per share and boasts a 1.80% dividend yield.

Operating such an extensive railway network means CNR stock is pivotal to economic activities throughout North America. Servicing several industries through its freight transportation allows CNR stock to generate good revenue and maintain a solid balance sheet. It can be an excellent addition to your TFSA for tax-free and long-term dividend income.

Foolish takeaway

Canadian Dividend Aristocrats offer the best opportunity to invest in stocks that keep paying shareholder dividends while growing payouts each year. Fortis stock boasts a 49-year dividend-growth streak, and Canadian National Railway stock boasts a 26-year dividend-growth streak.

Using some of the new contribution room to buy and hold shares of these two dividend-paying stocks can be an excellent way to enjoy stable and tax-free investment returns for years to come.

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1. Dividend Stocks
2. Investing

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2. TSX:FTS (Fortis Inc.)

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Date
2025/08/13
Date Created
2023/01/08
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