TFSA Passive Income: 3 Top Dividend Stocks to Beat Inflation

Description

Passive income is something that many investors, including me, dream of generating. By utilizing a Tax-Free Savings Account (TFSA), investors could speed up the growth of that passive income. This is because, as its name suggests, any returns generated in a TFSA can be withdrawn without having to pay any additional taxes.

In this article, I'll discuss three dividend stocks that TFSA investors can buy today to help them beat inflation.

Start with this blue-chip stock

In Canada, the long-term inflation rate is about 2%. That means, the dividends that you hold should have a growth rate of 2% or more if you intend to beat inflation over the long term. Personally, I look for stocks that have a dividend-growth rate of 10% or greater. However, in some cases, as you'll see here, I tend to make exceptions for outstanding companies. **Canadian National Railway** (TSX:CNR) is one stock that has no trouble surpassing that 10% requirement, however.

In December 1996, Canadian National paid a quarterly dividend of about $0.017 per share. Today, its quarterly dividend is $0.733 per share. That represents a compound annual growth rate (CAGR) of nearly 16% over the past 26 years. It should be noted that Canadian National maintains a dividend-payout ratio of about 40%. That suggests that the company could continue to raise its dividend quite comfortably over the coming years.

A powerful company for your portfolio

Brookfield Renewable (TSX:BEP.UN) is another stock that investors should consider holding for its dividend. This company is one of the leading players in the global renewable utility industry. All considered, its portfolio is capable of generating 21 gigawatts (GW) of power. Its development pipeline features an additional 69 GW of generation capacity. The completion of those projects could solidify Brookfield Renewable as a leader in its industry.

Brookfield Renewable is listed as a Canadian Dividend Aristocrat. It has managed to increase its dividend distribution in each of the past 11 years. Over that period, Brookfield Renewable's dividend has been increased at a CAGR of 6%. That's about three times faster than the inflation rate. By holding shares of this company, investors could give their portfolio a bit of growth potential and a great dividend.

One of the best dividend stocks around

Speaking of Canadian Dividend Aristocrats, **Fortis** (TSX:FTS) is one company that should always be mentioned in that regard. For those that are unfamiliar, Fortis provides regulated gas and electric utilities to more than three million customers across Canada, the United States, and the Caribbean.

Fortis has managed to increase its dividend distribution in each of the past 49 years. That gives it the second-longest active dividend-growth streak in Canada. Fortis has also announced its plans to continue raising its dividend through to at least 2027. The company intends to maintain a growth rate of 4-6% over that period. Although this stock's dividend-growth rate is much lower than that of a company like Canadian National Railway, I believe its long history of dividend raises warrants a spot in your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:CNR (Canadian National Railway Company)
3. TSX:FTS (Fortis Inc.)

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