2 Stocks to Create Growth-Stability Balance in Your TFSA

Description

Dividend-based returns are predictable. Assuming that a dividend payer doesn't slash or suspend its dividends, you can be sure that your investment in them will keep generating a steady return.

Even though past performance is not a guarantee of future returns, some growth stocks can also offer reliable and predictable returns, though not on par with dividends. So a good way to achieve growth and stability balance in your TFSA is to keep both types of stocks in your portfolio.

A dividend stock

Fiera Capital (TSX:FSZ) is one of the small-cap stocks in Canada that's currently offering a magnificent 9.2% yield. This yield is enough to help you start a passive income of around $150 a month with $20,000 invested. The yield is uncharacteristically high owing to the 28% discount from its pre-pandemic peak; the stock has yet to recover.

The payout ratio of 156% seems quite high, especially when evaluated alongside the high yield, and may have indicated unsustainable dividends for a different stock. But if you consider Fiera's dividend history, the payout ratio almost seems stable. Another attractive feature of Fiera as a dividend stock is its history of growing its payouts, though the company did take a break in 2020.

The stock doesn't offer much in the way of capital appreciation. In fact, it has mostly fluctuated downwards since 2017 and has fallen roughly 24% in the last five years. However, this trend may turn, but for maximum dividend-based profitability, consider buying it during a slump like the one it's currently experiencing.

A growth stock

Goeasy (TSX:GSY) isn't purely a growth stock, as it also pays dividends, and even though its yield is nowhere near Fiera Capital, Goeasy is one of the most generous dividend aristocrats currently trading on the TSX. The company has grown its payouts by about 4x between 2018 and 2022.

That's 80% dividend appreciation each year, making it a one-of-a-kind dividend investment assuming the trend lasts for at least a few more years.

What makes the stock even more attractive is that most people buy it for its capital appreciation potential. It has risen by about 250% in the last five years alone, which includes a long bull market phase followed by a powerful correction. But even if you look into its growth history before the 2020 crash, the numbers are relatively similar.

The stock is still discounted, which has pushed the yield up to an attractive level (2.8%). If the stock continues to grow at its current pace for years or, ideally, decades, the collective returns from its growth and dividends may make it one of the most profitable stocks on the TSX.

Goeasy also has a strong business model and an impressive presence in Canada. It offers loans to people with weak credit that cannot approach big banks for their financing needs. It's a relatively rich market, and there are virtually no players of Goeasy's scale in the market, which makes the competitive landscape relatively tame.

Foolish takeaway

The two stocks are among the best in their class (dividends or growth) and seem viable long-term holdings considering their fundamental strengths and histories. This makes them a good choice from a retirement planning perspective as well.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)
2. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Business Insider
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