Supercharge Your TFSA With These 3 Dividend-Paying Stocks

Description

It's the most wonderful time of the year. I am, of course, talking about TFSA investing time! As the calendar switches over to 2018, Canadian investors can make another $5,500 contribution to their TFSAs.

Some might argue that with interest rates currently on the rise (both the Federal Reserve and the Bank of Canada have hiked the key interest rate in 2017, and more increases are expected in 2018), dividend-paying stocks are not as appealing, but I disagree, and I have history to back me up.

According to data compiled by Professors Fama & French, dividend-paying stocks have outperformed non-dividend payers, averaging 10.4% annual growth vs. 8.5% from 1927 to 2014 and have also exhibited lower volatility. You can bet against that long-term trend if you wish, but I think every portfolio should include at least some dividend-paying stocks. Today, let's take a closer look at three stocks that are worthy of consideration to invest your fresh TFSA capital in 2018.

Genworth MI Canada (TSX:MI)

The company is the largest private residential mortgage insurer in Canada and is a dividend-paying machine. In 2017, the company hiked its dividend for an eighth consecutive year since its IPO in 2009 and currently yields over 4.3%. With a current payout ratio of only 35%, the dividend appears sustainable, and future increases are also a possibility.

The company is up over 28% year to date, but it still looks relatively cheap, trading very close to book value (1.03) and at 7.42 times earnings.

Killam Apartment REIT (TSX:KMP.UN)

Our next contestant is one of Canada's largest residential landlords, owning and operating 184 apartment properties and 35 manufactured home communities.

Owning shares of a real estate investment trust (REIT) is a great way to gain exposure to real estate and offers some advantages over direct real estate investing. These advantages include greater liquidity (you can sell your shares almost instantly and at a very low fee) and the ability to collect your income (dividends) without having to deal directly with bad tenants.

This REIT offers a yield of 4.36% and hands out distributions on a monthly basis.

BCE Inc. (TSX:BCE)(NYSE:BCE)

Finally, we have Canada's largest communications company, the well-known BCE.

This is by no means what you might call an exciting company in terms of growth, and it won't make you rich overnight, but it's as steady as it gets when it comes to paying out dividends. The company has increased its dividend every year since 2009, sometimes more than once a year, and it has a yield of 4.75% as of this writing.

The telecommunications industry might seem saturated, but BCE keeps finding ways to add to its top line. One such example is its recent acquisition of Manitoba Telecom Services.

The payout ratio of 86% is a little high, but it’s not unusual for a mature company and is also in line with its peers in the industry. The dividend should remain sustainable, as long as BCE maintains or increases its market share and continues to increase its yearly revenue. It has done a remarkable job on both counts in recent years.

Foolish bottom line

These three companies currently yield over 4% and provide diversification benefits for investors, given that they operate in three different sectors. Do yourself a favour in 2018: add those solid companies to your TFSA and collect fat dividend cheques for years to come.

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2. TSX:BCE (BCE Inc.)
3. TSX:KMP.UN (Killam Apartment REIT)

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