3 Recession-Proof Dividend Stocks to Buy Right Now

Description

Economists at TD Economics now believe Canada is in recession, and they are not alone. The main cause is fairly obvious: the fall in crude prices.

The worst-hit regions will be Alberta, Saskatchewan, and Newfoundland & Labrador, all of which generate substantial income from the energy sector. Capital spending by energy companies is being slashed, which will affect employment levels and house prices. Stores in these regions could easily see sales decline. More loans by banks could go bad.

In response, the Bank of Canada may cut interest rates yet again. The current benchmark rate stands at 0.75% after being cut from 1% earlier this year. By this time next month, it could easily be at 0.5%. This will undoubtedly eat into margins at the major Canadian banks.

So, if you're not careful, you could easily get caught up in the mix, even if you're just looking to collect some steady dividend payments. On that note, below are three ways to recession-proof your portfolio.

1. Any telecommunications provider

If you're looking for safe dividend stocks, the Big Three telcos are a great place to start. After all, no one's about to cancel their cellphone service just because the economy is struggling. And thanks to subscription-based pricing, revenue at these companies tends to be very smooth. Best of all, the Big Three face relatively limited competition—despite Ottawa's best efforts—and are protected by very high barriers to entry.

Telus Corporation (TSX:T)(NYSE:TU) is likely your best option. The company is very well liked by its customers, it's stealing market share from its rivals, and it's growing faster too. Alternatively, if you want as big a dividend as possible, **BCE Inc.** is the one to go with. Or, if you want the cheapest name (and don't mind betting on turnarounds) **Rogers Communications Inc.** is the answer.

2. Any regulated utility

Utilities are widely considered one of the safest sectors for any investor, and this makes perfect sense.

Households aren't going to turn their lights out when money is tight, which leads to stable revenues for the companies that produce electricity.

Here's the catch, though: you want companies with assets in regulated markets. These markets have stable electricity prices, perfect for smooth revenue and a steady dividend. Among Canada's largest companies, **Fortis Inc.** (TSX:FTS) is the best example of such a company.

3. Any pipeline operator

Like utilities and telecommunications providers, Canada's pipeline operators own critical infrastructure perfect for paying a steady dividend. Better yet, pipelines are typically secured by long-term contracts, without exposure to underlying commodity prices.

One particularly good option is **TransCanada Corporation** (TSX:TRP)(NYSE:TRP). The company's Keystone XL pipeline proposal has grabbed most of the headlines so far, but beneath the surface is a solid company, one with a 4.1% dividend growing at 7-8%.

CATEGORY

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