New Investors: 2 Oversold Dividend Stocks for Your TFSA

Description

Canadians are turning to dividend stocks to help generate higher returns on their savings.

For many, the most attractive way to do this is to hold the shares inside a Tax-Free Savings Account (TFSA).

Why?

The TFSA protects all earnings from the taxman, meaning Canadians can reinvest the full value of dividends in new shares, and when the time comes to cash out the investments, they get to pocket all of the capital gains.

This is particularly attractive for young investors who are just starting out. They might still be in a lower tax bracket, which would make using the TFSA more appealing than an RRSP, and they have the benefit of time to let the power of compounding do its magic.

Which stocks should you buy?

The recent sell-off in dividend stocks is providing an opportunity to pick up some top names at reasonable prices.

Let’s take a look at **Inter Pipeline Ltd.** (TSX:IPL) and **Telus Corporation** (TSX:T)(NYSE:TU) to see why they might be interesting picks.

Inter Pipeline

Inter Pipeline owns natural gas liquids (NGL) extraction assets, oil sands pipelines, conventional oil pipelines, and a Europe-based liquids storage business.

The balanced revenue stream has helped the company navigate the oil rout quite well, and management is taking advantage of the weakness in the sector to add new assets.

Inter Pipeline recently closed its $1.35 billion acquisition of two NGL extraction plants and related infrastructure from the **The Williams Companies**. The purchase price was at a significant discount to the construction cost of the assets, which means Inter Pipeline could see strong returns on the investment when the market recovers.

Inter Pipeline just raised its monthly dividend to $0.135 per share. That's good for a 6% yield at the current stock price.

Telus

Telus holds a comfortable position in the Canadian communications industry and continues to add new wireless, internet, and TV subscribers at a healthy rate.

All of the companies in the sector say they care about customer service, but Telus actually walks the talk, and the results are coming out in the numbers.

The company enjoys the lowest mobile churn rate in the industry and has increased its monthly average revenue per user (ARPU) for 24 consecutive quarters on a year-over-year basis.

Management has raised the dividend 12 times in the past six years. The latest hike bumps the quarterly dividend up to $0.48 per share, which translates into a yield of 4.6%.

Is one a better bet?

Both stocks are attractive picks today and deserve to be in any dividend-focused TFSA.

If you can handle a bit of extra volatility, Inter Pipeline offers a higher yield and a shot at some sizeable gains once the energy sector recovers.

If you are more conservative in your investing style, Telus is a solid choice.

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2. Investing
3. Stocks for Beginners

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