TFSA Investors: 2 Top Dividend Stocks to Buy When Others Are Selling

Description

It seems like it will be a tough year for some of the Canada's top dividend stocks. One of the biggest contributors to this dismal outlook is Canada's changing economic fundamentals.

As the economy strengthens, and the Bank of Canada removes the monetary stimulus, bond yields are heading higher. This equation has some implications for dividend stocks, which investors buy to get steady income.

But when bond yields rise, these dividend stocks become less attractive when compared to the government fixed-income securities, such as treasury bonds.

Let's have a look at two top dividend stocks — **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) — to see if they offer value to long-term investors who are building their wealth through Tax-Free Saving Accounts (TFSAs).

Enbridge

Enbridge stock has been a great long-term investment for retirees, savers and large institutional investors for many decades. But Enbridge — one of the most coveted names among Canada's dividend payers — has been under pressure since October due to various reasons.

Trading at $37.67 at the time of writing, the company's share price has shed ~11% of its value amid the rising interest rates in Canada and on concerns that the world's largest pipeline operator is taking on too much debt for its growth projects.

But these concerns are short term in nature. In late November, Enbridge's management tried to allay these fears by announcing an impressive plan to fund its major development projects and cut its debt load.

That plan includes issuing $1.5 billion of shares and selling at least $3 billion in assets. Enbridge has also identified another $7 billion in non-core assets to divest, including unregulated gas-gathering and -processing businesses and onshore renewables in the U.S. and Canada.

With its history of dividend payments spanning more than six decades, Enbridge is a great income stock to contribute to your TFSAs in 2018. With an annual dividend yield of 5.13%, Enbridge plans to hike its dividend by 10% each year through 2020.

BCE Inc.

The story of Canada’s largest telecom operator BCE isn’t much different. Its stock has been underperforming for the past one year. And this weakness seems to be continuing in 2018, as bonds yields rise.

But I think the company’s fundamental outlook remains promising at a time when it is investing billions to improve its wireless, TV, and internet services and retain the loyalty of its customers.

In the short run, however, I see further weakness in BCE stock, as the bond yields climb. I would take any further weakness as a buying opportunity, especially when its dividend yield has already reached a highly attractive level.

Trading at $57.92, BCE shares are close to the 52-week low and in an oversold territory. With an annual dividend yield of ~5%, BCE stock is another attractive option for TFSA investors.

The bottom line

Investing in these rock-solid stocks isn’t a bad idea for long-term investors. You are unlikely to see a massive jump in their share values, but these companies are built to offer steady income to their shareholders. If that’s what your investment objective is, then the time is right to make the move.

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