TFSA Investors: 2 Top Dividend Stocks to Buy in March

Description

The Tax-Free Savings Account (TFSA) is one of the best tools available to Canadian income investors to build their wealth. This savings scheme is not only out of the taxman's reach, but it also gives you an opportunity to pick your own stocks, thereby deepening your understanding of the financial markets.

As we enter the final month of the first quarter of 2018, there are some great buying opportunities for TFSA investors who want to lock in high dividend yield from some top-quality stocks. Let's look at Enbridge Inc. (TSX:ENB)(NYSE:ENB) and BCE Inc. (TSX:BCE)(NYSE:BCE) to find out whether these stocks are good picks for the month of March.

Enbridge

North America's largest pipeline operator has been on a slippery slope for the past 12 months on concerns that the company won't be able to maintain its dividend payouts at a time when it needs a lot of cash to fund its future growth.

Its share price has fallen 18% in 2018 and 26% in the past 12 months, and it seems the company doesn't have much to offer to create excitement after its merger with Spectra Energy last year.

Enbridge shares came under renewed pressure in December after Moody's Investors Service downgraded the company's debt to just one notch above junk status, citing the company's heavy debt load. Enbridge has more than $60 billion in debt and has spent heavily on capital expenditures. Its capital spending rose 34% last year when compared to 2016.

Despite these temporary setbacks, I think investors should remain calm as the company tries to overcome these challenges. The management has already outlined its plan to cut its debt by selling assets worth $3 billion this year. According to an unconfirmed Thomson Reuters' report, that asset sale may increase to $8 billion.

Trading at $40.80 at the time of writing, Enbridge's annual dividend yield has reached 6.59% — more than double its five-year average yield. The company plans to grow its $2.68-a-share yearly dividend by 10% each year through 2020.

With a forward P/E multiple of 15.9, Enbridge's valuation has become more attractive after a 26% drop in its share price in the past 12 months. I think the stock offers a good bargain for your TFSA.

BCE

There's nothing wrong with the business of Canada's largest telecom operator, BCE. Still, its shares have lost about 6% of their value this year. The weakness is mainly the result of changing economic dynamics when investors are avoiding the large-cap dividend payers, such as BCE, on expectations that the rising bond yields in North America will diminish their investment appeal.

This pullback is great for long-term investors who were looking for a good entry point. The company has an aggressive growth agenda with investment plans throughout Canada. To meet growing demand for a quality broadband and wireless networks, BCE is investing more than $3.77 billion as part of a plan it announced in 2016.

While announcing its fourth-quarter earnings last month, BCE reported its best quarterly wireless performance in many years. The strong gains in its wireless division helped the company beat analysts' forecasts for its net income, excluding one-time items. BCE earned $0.76 per share, beating the average analysts' estimates of $0.75, according to Thomson Reuters.

Trading at $56.33 with an annualized dividend yield of 5.36%, BCE stock is another attractive option for your TFSA. BCE recently hiked its annual payout by 5.2% to $3.02 a share this year. This dividend increase is the company's 14th since 2008, thereby doubling the dividend amount in the past 10 years.

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hanwar