



2 Cheap Dividend Stocks to Fatten Up Your TFSA Income Stream

Description

Stock prices are indirectly proportional to a company's dividend (or distribution yield). So as an income investor who's looking to grab the highest yield possible, it makes sense to adopt a contrarian mindset by purchasing shares of robust dividend stocks on dips in spite of any short-term noise that a stock may be experiencing at any given point.

You'll obtain a marginally higher yield by doing buying dividend stocks on weakness, and if you've got a strong dividend grower with a robust cash flow stream on your hands, the higher-than-average dividend you'll collect will probably only continue to swell in price as short-term thinkers pay more attention to the trajectory of the stock, losing sight of the bigger picture.

Enter Canadian fast-food stocks, defensive juggernauts that are among the strongest of cash cows out there.

While fast-food may be seen as a discretionary item that's more sensitive to the state of the economy and the magnitude of consumer spending, low-cost fast-food firms with great brands and value offerings possess incredible defensive attributes that'll allow operating cash flows to be less impacted during times of economic hardship.

Consider **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)) and **A and W Revenue Royalties Income Fund** ([TSX:AW.UN](#)), two fast-food stocks that are currently down 11%, and 13% from their respective all-time highs.

Both stocks have endured their fair share of short-term issues, but make no mistake. Both companies are going to continue to rake in wads of cash, a great deal of which will be returned into the pockets of shareholders through dividend/distribution payouts together with consistent annual raises.

Restaurant Brands is the parent company behind the [legendary fast-food brands](#): Burger King, Tim Hortons, and Popeyes Louisiana Kitchen. And A&W needs no introduction, as it's one of the most well-respected burger brands in the country.

Although burgers, fried chicken, and donuts may not seem like a way to play the trend of consumer

spending toward healthier food options, each fast-food firm has an unmatched value proposition for consumers, which will bode well come the next recession.

And if a recession never happens, you're going to continue to see pretty stable results relative to most other discretionary names out there.

Restaurant Brands has a 3.1% dividend yield, which may not seem like much, but when you consider the magnitude of growth you're getting, the stock is a must-own for growth and income investors alike.

I own the stock for its growth potential. The dividend is just a bonus, but over the longer-term, consistent dividend reinvestment within a TFSA is going to make a profound difference for the size of any nest egg come retirement day.

With A&W, you're getting lower growth, but a [more generous 4.7% distribution yield](#) from the sum of royalty payments made from A&W locations across the country.

With the Burger Family, A&W Root Beer and Chubby Chicken in A&W's iconic portfolio, income investors can fearlessly collect their income cheques without needing to give a single care about systematic risk or the probability of yield curve inversion.

That's peace of mind that very few high-income securities can offer.

Foolish takeaway

Both Restaurant Brands and A&W are must-own income stocks for any economic environment. They'll fair well when the economy is roaring, and they'll do well, if not better when the next recession finally hits thanks to their value menu offerings and the somewhat "inferior" nature of fast-food.

If you're looking for growth, go with Restaurant Brands. If you're a retiree who values safety and a chubby dividend, go with A&W. And if you're somewhere in between, there's no shame in buying shares of both great all-weather companies at these depressed levels.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:QSR (Restaurant Brands International Inc.)

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