



2 Discounted Quality Stocks for Your TFSA

Description

Good news! The new year brings \$6,000 of contribution room for your Tax-Free Savings Account (TFSA). This is \$6,000 of investments to grow tax free, which means more money in your pocket!

Although rising interest rates have made fixed-income investments to be more attractive (and stocks less attractive), I wouldn't use this contribution room for fixed-income investments just yet. That's because the recent market correction has created [buying opportunities](#) in many quality stocks.

On my list of discounted quality dividend stocks, I have **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) and **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)). Here's why I'd be a buyer of both right now.

Bank of Nova Scotia

We haven't had a correction of greater than 10% since late 2015 to early 2016. So far, this correction has brought the stock market 12% lower. Though it looks like the market has bounced off from a support, no one has a crystal ball that will tell us if the correction is really over.

The truth is, quality stocks, such as Bank of Nova Scotia, are now trading at discounts thanks to the correction. The bank generates stable earnings growth and is a great buy on the dip, as it trades at a discount of about 20% from its normal multiple.

Thomson Reuters' one-year mean target of \$84.30 per share on Bank of Nova Scotia indicates that the bank has nearly 24% near-term upside potential from the recent quotation of about \$68 per share. Additionally, the bank offers a safe yield of 5%; its dividend is supported by a recent payout ratio of 46%, which aligns with those of the other Big Five banks.



Brookfield infrastructure

Corrections are healthy for the stock market and make us richer in the long run by allowing us to buy quality stocks at discounted valuations. Quality infrastructure assets are excellent long-term investments because of their strong cash flow generation, which leads to growing dividends.

Indeed, Brookfield Infrastructure has increased its cash distribution per unit at a compound annual growth rate of almost 13% over a nine-year period since it was spun off from **Brookfield Asset Management** on the NYSE. There's no reason to believe that this trend won't continue, as Brookfield Infrastructure is led by experienced management that has a strong track record of success and a huge stake in the company.

Brookfield Infrastructure has accumulated a defensive and diversified portfolio of infrastructure assets including regulated utilities, rail, toll roads, data towers, etc. As a value investor, it's on the lookout to sell mature assets for higher returns, such as to make acquisitions in distressed markets.

By buying Brookfield Infrastructure in the [market correction](#), investors can now get a juicy starting yield of 5.4%. This fire sale price in a quality utility for a boosted yield likely won't last long.

Investor takeaway

By buying Bank of Nova Scotia and Brookfield Infrastructure for your TFSA, you can get tax-free dividend income that can be reinvested for higher returns or withdrawn to pay the bills. Both are conservative investments (especially at current levels) that can be held for long-term price appreciation and dividend growth. Here are more great Foolish ideas for your TFSA!

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)

2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:BNS (Bank Of Nova Scotia)

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