2 Oversold Stocks Yielding 5% for Your New TFSA Income Portfolio

Description

Canadians investors have an additional $6,000 in TFSA contribution room in 2019 and those with self-directed accounts are searching for quality dividend stocks to add to their income-focused holdings.

Let’s take a look at three top Canadian dividend stocks that might be interesting picks right now.

BCE (TSX:BCE)(NYSE:BCE)

BCE is a giant in the Canadian communications sector with state-of-the-art wireless and wire line network infrastructure providing Canadian residential and business customers with mobile, Internet and TV services. The company continues to roll out its fibre-to-the-premises program, ensuring it maintains a competitive edge in delivering broadband capability that meets rising demand.

BCE also has a large media group that includes a TV network, specialty channels, radio stations, and sports teams. The company is a partner in Maple Leaf Sports and Entertainment, which owns all the major professional sports franchises in Toronto, including the Leafs and Raptors.

The $3 billion acquisition of Manitoba Telecom Services in 2017 provided a nice base in central Canada for a potential expansion to the west. In addition, BCE is finding new products and services to offer its customers, as we saw with its takeover of AlarmForce.

The company generates solid free cash flow to support its steady dividend growth and has the power to raise prices when it needs additional funds. Higher interest rates have reduced pension shortfalls in 2019, thereby freeing up more cash for investors.

BCE has bounced off the 12-month low but still looks attractive at $54 per share. A year ago, investors paid close to $60 to buy the stock. At the current price, BCE’s dividend provides an annualized yield of 5.6%.

Manulife Financial (TSX:MFC)(NYSE:MFC)

Manulife is major player in the insurance and wealth management industry with operation in the United

States, Canada, and Asia.

The company took a big hit during the Great Recession and was forced to cut its dividend in half. Since then, Manulife has worked hard to remove risk for the business to ensure it won't go through the same pain and improved results are fuelling strong dividend growth.

The company just raised the distribution by 14%, supported by strong earnings. Reported net income came in at $1.58 billion, compared to $1.1 billion in Q3 2017.

The pullback in financial stocks appears overdone, especially in the case of Manulife. The shares are down from $26 a year ago to $19 per share. That puts the dividend yield at an attractive 5.2%.

Is one more attractive?

BCE and Manulife should be solid buy-and-hold picks today for a dividend-focused TFSA portfolio. If you only buy one, I would probably go with Manulife as the first choice right now. The stock carries more risk than BCE, but dividend growth over the medium term should be better and the upside potential in the share price could be substantial once sentiment shifts in the markets.

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1. Dividend Stocks
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