



## TFSA Investors: 2 Undervalued Dividend Stocks to Buy Today

### Description

Value is getting harder and harder to come by as the market seemingly heads higher and higher week over week. You can either wait for a market correction to bring down the valuations of stocks or invest in relatively discounted stocks and start compounding tax free in your TFSA today.

Here are two quality undervalued dividend stocks that offer some margin of safety in terms of valuation. Additionally, they offer reduced risk by generating regular returns in the form of quarterly cash distributions.

### A discounted bank

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), or Scotiabank is a relatively cheap big Canadian bank. Concerns of global economic slowdown have triggered some analysts to reduce their growth estimates on banks.

On the positive side, Scotiabank has been meaningfully increasing digital retail sales and digital adoption across its key markets since fiscal 2016, and it's only in the early stages of this digital shift.



[Scotiabank](#) is currently estimated to increase its earnings per share by about 6.3% per year on average over the next three to five years.

At about \$72.80 per share as of writing, Scotiabank trades at a price-to-earnings ratio of about 10.1. A normalized multiple indicates a fair value of about \$83 per share or 14% near-term upside potential.

The international bank offers a secure dividend yield of 4.65%. Based on the +6% growth rate and the safe dividend alone, investors today can expect long-term annualized returns of about 11%.

If we account for the normalization of the stock's multiple, investors today can achieve annualized returns of +13% over the long haul.

## A discounted real estate income machine

I don't know about you, but around where I live, home prices have shot through the roof in the past few years alone, which makes it much more costly to invest in rental properties.

Here comes **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) to the rescue! Investors are getting the long end of the stick here. Brookfield Property tends to trade at a decent discount from what its assets are really worth partly because real estate is traditionally an illiquid asset class. This means that investors can buy Brookfield Property and enjoy big, juicy income.

Currently at US\$19.69 per unit, the stock trades at a discount of over 31% from what its underlying assets are worth on a per-unit basis according to IFRS standards. It's a good gauge for valuation because the company has often sold assets at a premium price to their IFRS values.

If investors have confidence in the management, they should [view Brookfield Property as a super long-term investment](#), much like rental properties. The difference is that you get superb management that oversees the whole operation, and of course, Brookfield Property owns some of the best real estate assets in the world and is much more diversified than owning a few rental properties.

Management estimates earnings growth of 7-9%, supporting an income-growth machine, which offers cash distribution per unit growth of 5-8% per year. So, you can go ahead and grab that 6.7% yield for starters.

## Investor takeaway

One of the tried-and-true investing strategies is to buy quality undervalued dividend stocks. I believe investments in Scotiabank and Brookfield Property compounded over 20 years and beyond in a TFSA will lead to real wealth, starting with their ever growing cash distributions.

Stay Hungry. Stay Foolish.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks

3. Investing

## TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:BPY.UN (Brookfield Property Partners)

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