



## 2 Dividend Stocks I'm Buying With My \$6,000 TFSA Contribution

### Description

For us finance nerds, there are few days more exciting than when we make our annual TFSA contribution.

The only thing more interesting is deciding what to do with the capital. There are dozens of excellent Canadian blue-chip stocks, all trading at reasonable valuations. And there are plenty growth stocks with exciting prospects and value stocks featuring cheap assets that are hard to ignore. No matter what kind of investor you are, there's something for everyone out there.

It's hard to narrow it down, but I think I've done it. Here are the two stocks I've recently added to my TFSA.

### Laurentian Bank

I already owned a position in **Laurentian Bank of Canada** ([TSX:LB](#)), the seventh-largest Canadian bank by assets. After the company missed earnings expectations and shares slumped to just over \$40 each, I just couldn't help myself. I averaged down and doubled my position.

Let's first talk about those disappointing earnings, which were almost solely caused by a slump in the bank's capital markets division, a part of the company that isn't exactly known for consistency. Besides, the preceding quarter was a pretty tough one for Canadian stocks. It's therefore not surprising the capital markets division would underperform in such an environment.

The other concern plaguing the company is also exaggerated, at least in this analyst's opinion. Laurentian is investing heavily into technology in hopes that investment can increase profitability. Part of this process is to convert many of the bank's existing branches into locations that mostly just offer loans and investment management, rather than traditional bank branches.

The problem is most of Laurentian's retail bank employees are part of a union. The market assumes any deal with the union will be costly, but I'm confident the end result won't be so bad.

While investors wait for these fixable issues to clear themselves up, Laurentian shares are available at a nice valuation. Shares trade at just over nine times forward earnings, which is comfortably cheaper than the bank's larger competitors. The stock also sits under book value.

Oh, and the company pays a 6.3% dividend, a payout that has been raised annually since 2008.

## RioCan

**RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) is in the middle of a transformation and the market doesn't seem to be giving the company much credit for it. Once investors figure out what's going on, I'm confident shares will head higher.

RioCan's days of strictly owning retail locations are over. The company has aggressive plans to add various mixed-use buildings to its portfolio, with development projects planned across Canada. These projects will take existing retail space and add either office towers or apartments.

One example is the company's Brentwood Village development in Calgary. The project, which is located right on Calgary's C-Train mass transit system, will include some 10,000 square feet of new retail space along with 163 residential units and is slated for completion in 2020.

When completed about a decade from now, the current development portfolio will add approximately 22 million square feet to RioCan's current leasable space of just over 39 million square feet. And even though RioCan already offers investors a strong 97% occupancy rate, adding a residential component to the portfolio will further stabilize it.

Finally, we have the dividend. RioCan currently pays investors \$0.12 per share on a monthly basis, good enough for a 5.6% yield. Remember, RioCan has dipped its payout ratio below 80% of funds from operations, which means investors may very well see a small dividend increase soon.

## The bottom line

Both RioCan and Laurentian Bank check off a lot of boxes. Each pays a nice dividend. Both stocks are also moderately undervalued, and both have solid growth prospects.

I plan to own each of these stocks for a very long time. Perhaps it's time for you to buy, too.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:LB (Laurentian Bank of Canada)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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### **Author**

nelsonpsmith

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