TFSA Investors: 2 Top Dividend Stocks to Buy and Forget

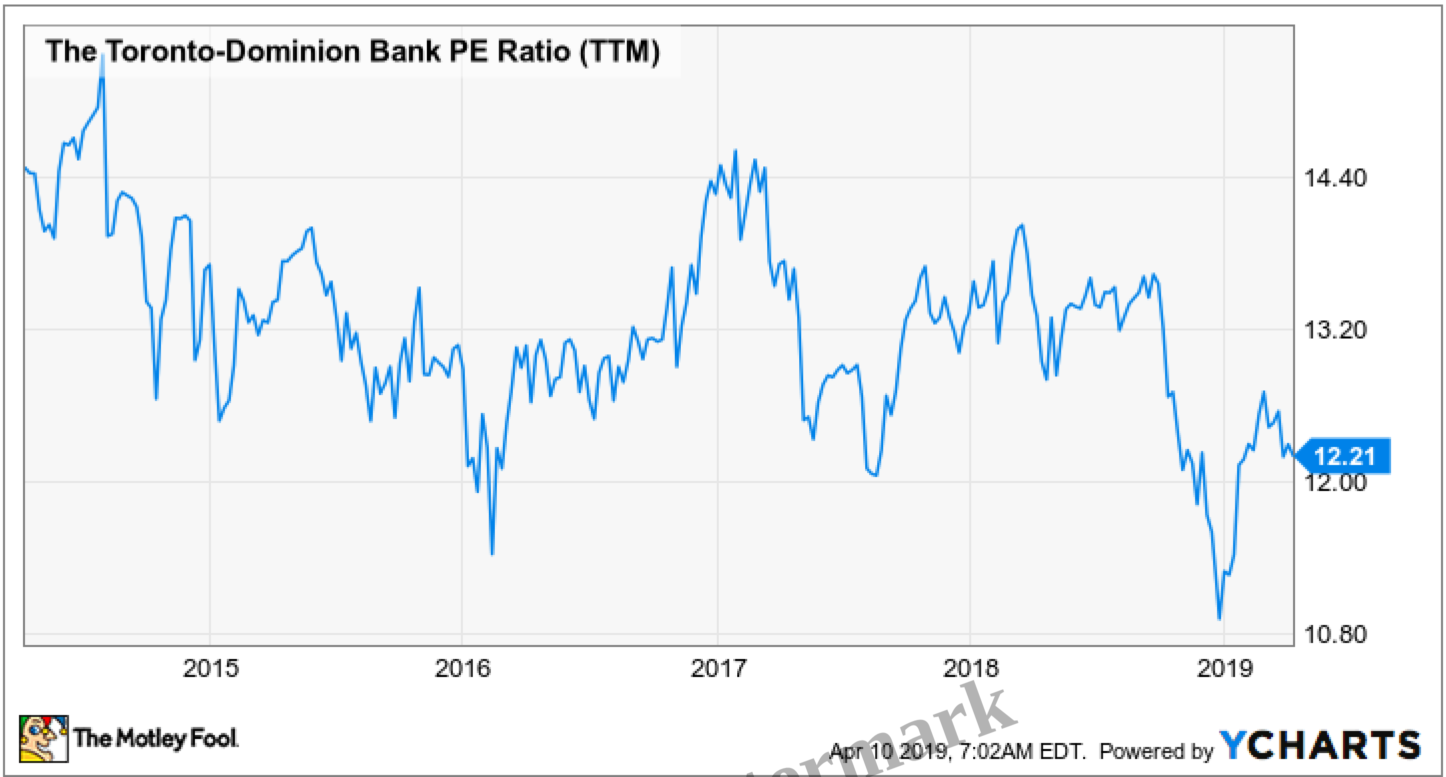
Description

Dividend stocks can provide your TFSA with some great yields. However, you want to be careful in deciding which stocks to put into your portfolio because if they pay a high yield and aren't sustainable, there's a real risk you could see their payouts get reduced or eliminated. That's why it's important to invest in a stock because the company is a good buy, not just because of its dividend.

If the company is performing well, then chances are its dividend will continue. The two stocks I've listed below are solid long-term buys with or without dividends that investors can build their portfolio around. You won't need to keep a close eye on them and can just buy and forget about them.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is the perfect option for any portfolio because it offers investors value, growth, and dividends. Regardless of how the bank stock performs in the short term, long term it will grow in value because it will benefit not only from increasing fees, but also from population growth. And with a strong presence in the U.S., it isn't entirely dependent on the Canadian economy for growth.

The bank has ample funds to grow into other parts of the world, and there are plenty of opportunities for TD to do so either organically or via acquisition. Despite its strong business, the bank trades at a modest 1.8 times book value and just 12 times its earnings. It's a bit low compared to what we've come to expect from TD.



Over the past five years, the stock has typically traded at a price-to-earnings (P/E) multiple of at least one point higher, over 13. With a lot of bearishness surrounding bank stocks lately, TD is looking a bit undervalued today given its earnings.

One of the best reasons to hold the stock, however, is for its dividend. With a growing dividend and yield of 4% today, it's an easy way for investors to grow their portfolio's value. While no dividend is a guarantee, TD is about as safe as it can get.

Fortis Inc (TSX:FTS)(NYSE:FTS) is a great dividend option for investors who are looking for a bit more growth than what a bank stock can offer. It has been able to achieve significant sales growth over the years thanks in large part to acquisitions in a fragmented industry.

That's not the type of trajectory that you'd expect to see from a utility stock, which is what makes Fortis so special. Growth did slow down in 2018, but with a strong bottom line, there's always an opportunity for Fortis to pursue new opportunities. And like TD, it too is trading a bit lower than it has in the past in relation to earnings.

Fortis has proven to be a more volatile, but a case can be made that it should be at a P/E ratio of at least 20, especially if it can continue to grow its business at a high rate. Fortis also pays a similar dividend to TD, with a yield of 3.6% and it too has grown its payouts over the years.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks

2. Dividend Stocks
3. Investing

Date
2025/08/27
Date Created
2019/04/11
Author
djagielski