TFSA Investors: 2 Steady Dividend Stocks to Buy Today

Description

Canadians are using their TFSA to help meet a number of savings goal.

Some people take advantage of the tax-free status to generate additional income. This is definitely a bonus for retirees who want to avoid having dividend income count towards potential clawbacks in their government payouts.

Others are using the TFSA to set cash aside for the purchase of a home or a cottage.

Another popular use of the TFSA is to build a fund for retirement to go along with company pensions, CPP, and OAS payments. In this case, a common strategy involves owning quality dividend stocks and using the distributions to acquire additional shares. The maximum contribution room in the TFSA is now up to $63,500, which is enough to build a solid retirement portfolio.

Let's take a look at two stocks that might be interesting picks right now.

BCE (TSX:BCE)(NYSE:BCE)

BCE just reported solid Q1 2019 results. The company delivered 6.9% adjusted EBITDA growth supported by better margins and total revenue gains of 2.6% compared to the same period last year. Net earnings rose 11.6% in the quarter compared to Q1 2018 and free cash flow jumped 19.6% to $642 million.

BCE says it is on track to hit guidance of 7-12% free cash flow growth in 2019. That's important for dividend investors, as free cash flow is used to cover the distributions. BCE raised the dividend by 5% earlier this year. The current quarterly payout of $0.7925 per share provides an annualized yield of 5.3%.

The company had its lowest postpaid churn in 15 years, suggesting efforts to improve customer satisfaction are delivering results.

The stock is off the lows of 2018 but still appears attractive given the likelihood that interest rate hikes are done for the medium term. BCE has a wide moat, and the company's ability to raise fees when it needs additional cash is a plus for investors.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Investors often bypass Bank of Nova Scotia in favour of its larger Canadian peers, and they are willing to pay a higher multiple to buy TD and Royal Bank.

Those are certainly good picks, but Bank of Nova Scotia likely deserves more respect, especially among investors who have an investing outlook that stretches for the next 20-30 years.

Why?

Bank of Nova Scotia runs a large international business located in the Pacific Alliance nations of Mexico, Peru, Colombia, and Chile. The four countries are home to more than 225 million people and have strong potential for economic development.

Bank penetration is low compared to more developed markets, giving Bank of Nova Scotia an opportunity to tap growing demand for loans and investment products. The international division already accounts for a significant chunk of overall profits, and earnings growth in the group is outpacing Canada.

Bank of Nova Scotia has a strong track record of dividend increases and that should continue. The existing distribution provides a yield of 4.75%.

The bottom line

BCE and Bank of Nova Scotia should be solid buy-and-hold picks for a dividend-focused TFSA portfolio. I would probably split a new investment between the two stocks.

If you only buy one, Bank of Nova Scotia appears slightly oversold today and likely offers a better shot at capital gains over the medium term.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BCE (BCE Inc.)
4. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/24
Date Created
2019/05/02
Author
aswalker