2 Overlooked Dividend Stocks for a New TFSA Investor

Description

Buying dividend stocks for a TFSA isn't always easy, with even some of the "best" stocks having some tangible downsides, with everything from overvaluation to negative outlooks darkening the investment landscape.

The following two stocks are not exactly obscure tickers, but they may have been overlooked by new investors looking for reliable passive income. From the telecoms and energy sectors, here are two key stocks that may be suitable for a new TFSA investor.

Tourmaline Oil (TSX:TOU)

Up 2.13% at the time of writing, Tourmaline Oil was just another Canadian oil and gas stock taking a beating at the end of last week. Investors clearly thought it was worth buying the dip, as that share price is rising, but is it worth jumping on to ride the upside?

With one-year past earnings growth of 15.8 and five-year average growth of 4.9%, Tourmaline Oil can prove that it has a positive track record. While a past-year ROE of 5% may not indicate the highest quality, that metric helps to round out an overall positive set of stats.

Moving on to its balance sheet, we can see that comparative debt at 19.5% of net worth is inside the safety zone and is well covered by operating cash flow. This is a healthy stock and an attractively valued one, too, with a P/E of 13 times earnings and P/B of 0.7 times book showing below market-weight valuation — just right for a value investor looking to undercut the TSX index.

Tourmaline Oil's moderate dividend yield of 2.08% is a welcome boon for capital gains investors who like a bit of passive income on the side, although that yield does just fall short of the lowest 25% of Canadian dividend payers. However, a 10% expected annual growth in earnings suggests a stable energy stock that is able to grow its dividends over the next couple of years.

A dividend payer with a healthy track record and passable balance sheet in the oil and gas space sounds like a rare find indeed, and it seems Tourmaline Oil fits the bill. For good all-around health, it looks like a gem of a stock, and paying a +2% yield, it might be a strong choice for a TFSA investor looking for some passive income in a defensive sector.

BCE (TSX:BCE)(NYSE:BCE)

Up 0.69%, there has been very little change in BCE's share price over the last few days, despite posting a positive Q1 earnings report, which matched expectations.

Paying a 5.31% yield, BCE is a desirable dividend stock that would be just right for a long-term investment. Its rising payments and positive outlook make it a sensible pick for a TFSA, while retirement investors may want to consider BCE for their RRSP or other registered retirement investment fund.

While there are a few red flags for BCE, most of these are mitigated by extenuating circumstances. For instance, while a past-year ROE of 15% could be better, it should be noted that this has risen by a percentage point over the past week. Likewise, a debt level of 118% of net worth is high, though it's well covered by operating cash flow.

The bottom line

While BCE is overvalued in terms of earnings (its P/E is 18.7 times earnings), its value relative to its book price suggests otherwise, with a P/B of 3.3 times book, which trails the Canadian telecoms average of 4.2 times book. As such, it joins Tourmaline Oil as a potential buy for the first-time TFSA investor looking for long-term passive income from a TSX index stock.

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