TFSA Investors: Buy This Stock Before its Ex-Dividend Date

Description

Tax-Free Savings Account (TFSA) investors should watch out for dividend stocks with strong earnings like **Canadian Tire** (TSX:CTC.A). This reliable dividend payer has an outstanding earnings per share of $11.17 per year and gives investors a $4.15 dividend. At the current share price, that amounts to an annual dividend yield of about 3.12%.

TFSA investors should be preparing to set aside some cash for a decent investment in this stock sometime between now and its ex-dividend date on October 30. Investors who purchase the stock before October 30 will receive the impressive dividend payout — while others will miss out.

Top three reasons to buy CTC.A stock

Reliable price history: Besides the downward stock price correction this year, the company has strong earnings to support its current price. Stock market volatility created a bubble in this stock in 2018, because it is a company with dependable, above-average earnings. Now that the stock is approaching a more reasonable valuation, it is a good time for investors to start buying again.

Below-average beta: Canadian Tire's beta stands at .74, below the market average of around one. Strong dividend returns combined with a low beta means that shareholders are taking on below-market average risk. In uncertain economic times such as this, below-average betas should be a priority for risk-conscious investors.

Low forward price-to-earnings (P/E) ratio: The forward P/E ratio is 9.45, lower than the current P/E of 12.04. The company's earnings are growing — and its price will rise with its profit. When a dividend stock's earnings start to grow, TFSA investors should buy and cash in on both the dividends and the capital gains. EPS estimates for 2019 are over $12 per share, an increase from last year. Analyst estimates for 2020 are above $14 per share. Now is the time to buy!

Is there any reason not to buy?

There is no such thing as a riskless investment. TFSA investors should invest for the long term and not worry about unrealized capital losses. Investors will only realize the loss if they sell. Stable dividend payers are the stocks you should be investing and holding in your portfolio even during times of downward market turbulence.

It’s true — financial markets are not performing well at the moment. U.S. president Donald Trump created volatile market conditions with his aggressive trade negotiation tactics. Moreover, we have federal reserve banks worldwide stuck in precarious interest rate policies.

Invest when the market is low

Younger Canadians should not fear their long-term investments. Asset prices rise and fall, but they always bounce back eventually, particularly in developed economies. Investors retiring in 10 years or less, however, should be more risk-conscious than younger investors.

Ensure that your immediate retirement savings are in more liquid assets like CDIC-insured guaranteed investment certificates. Keep at least six months of expenses to get through temporary periods of hardship. Other than that, whatever you don’t need to pay bills within the next 15 years, buy high-dividend earning stocks to start benefiting from compound interest.

Smart investors nearing retirement can start generating retirement income through dividends today, and the bear market is the perfect time to buy.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Top TSX Stocks

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners
4. Top TSX Stocks

Date
2025/09/09
Date Created
2019/08/22
Author
debraray