Every TFSA Needs These 2 Defensive Dividend Stocks

Description

George Weston (TSX:WN) is a profitable, high-yield dividend stock with a lot to offer investors during the bust period of the business cycle. Its subsidiary **Loblaw Companies** (TSX:L) is also a strongly performing exchange-traded dividend stock, which should be in Canadian porfolios regardless of the economic conditions.

George Weston and Loblaw, operate globally in food processing and distribution. Because these corporations produce consumer stables such as pies, Girl Scout Cookies, and crackers, investors consider their stocks a consumer defensive position.

Defensive stocks are those that pay a dividend and are less sensitive to changes in economic health. Food and pharmacy goods tend not to be the first items subject to budgetary restraint at the beginning of a recession and are therefore considered safer investments.

Regardless of whether the recessionary rumours are true, every Tax-Free Savings Account (TFSA) needs these two defensive high-yield dividend stocks in their portfolio.

George Weston

Shares of George Weston are selling for about $108.36. At this price, the current dividend of $0.525 yields an interest of 1.94% annually. The low 2% interest is the price shareholders pay for the safety of the George Weston brand. At an estimated earnings per share (EPS) of $7.14 for 2019, George Weston is one of Canada's most profitable companies.

TFSA investors want to look for stocks with high EPS like that of George Weston to protect their portfolio from the impending economic downturn. Like the saying, "What goes up, must come down," so too must the good economic times lead to a bust business cycle.

While it would be fantastic if the healthy economic conditions could last forever, history contradicts those dreams. There will be another recession. The only question is when. Thus, forward-thinking investors should begin preparing their TFSAs for the next downturn with defensive retail stocks like

George Weston.

Loblaw

Loblaw is also traded on the Toronto Stock Exchange. The stock issues a dividend of $0.315. Currently selling for $72.98, the dividend yield rests at 1.73%. Like its parent company, Loblaw's brand offers investors the safety and security of a strong Canadian brand.

Loblaw is on track to report the fiscal year 2019 annual earnings of over $4.24 per share. Last year, the company achieved earnings of $4.60 per share.

Loblaw is a very profitable company in a defensive sector with the backing of one of Canada's largest retail corporations. Smart TFSA investors should be preparing for the next economic downturn by making secure investments in companies that fit a similar profile to Loblaw.

Foolish takeaway

Many analysts are making the rallying cry to invest in gold. Although this hedging strategy may have its merits, Canadians should ensure they adopt multiple strategies to protect their retirement savings from the next slump in the economy. This should include profitable, high-dividend-paying defensive stocks like George Weston and Loblaw.

We do not know where the global environment is headed. With U.S. president Donald Trump's trade war and fiscally profligate policies, the world could be headed for another great depression, a dangerous inflationary spiral, or a combination of both.

Smart Canadians need to prepare through diversified savings strategies to make the next 10 years less challenging and more enjoyable.

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Date
2025/08/05
Date Created
2019/09/03
Author
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