TFSA Investors: 3 Dividend Stocks That Pay More Than 4% That Can Help You Ride Out a Recession

Description

Investors worried about a possible recession being around the corner can protect themselves by adding some dividend income to their portfolios while also holding shares of companies that offer stability. The three stocks listed below could fit that criteria very well and be great long-term buys regardless of how the country performs.

Domtar (TSX:UFS)(NYSE:UFS) produces common items like personal care products that will be used whether the economy is in a recession or not. While there could see a bit of a slowdown as consumers try to stretch their budgets as much as possible, there will still likely be a lot of demand for the products that Domtar makes. Over the past four years, Domtar has had a lot of stability in its revenues, with sales consistently being above US$5 billion in each of the past five years. The challenge has been net income, where the company has posted a loss once during that time and profit margins have not been very strong, sometimes being around 2.5%.

Although the stock has fallen more than 20% over the past couple of years, it has generally been a lot more stable than that, as over five years it has dropped just 2% in value. The stock's dividend, which currently yields around 5.3%, can also help to give investors' returns a bit of a boost as well. Over the years, Domtar has increased its payouts, and with the payments being in U.S. dollars, Canadian investors have the opportunity to benefit from a strong U.S. currency.

Canadian Utilities (TSX:CU) should offer investors even more stability, as not only does the company operate in a much more predictable industry, but it has operations in Australia and Mexico that can add diversification as well. Utility stocks are always popular choices for risk-averse investors, and Canadian Utilities is certainly no exception to that, as it should prove to be very stable as well. Although the stock has generated some solid returns north of 25% over the past 12 months, when looking at a five-year span, its returns have been flat.

While it might be disappointing not to see a lot of movement from Canadian Utilities, that could help make the stock a very stable dividend stock to hold onto. With a beta of 0.33 over the past three years, Canadian Utilities won't be very receptive to how the TSX performs, and that could be a very good thing if a recession does end up hitting. Meanwhile, investors could still earn good returns through the company's dividend, which currently yields around 4.4%.

Suncor Energy (TSX:SU)(NYSE:SU) can give investors another industry to add to their holdings that could prove to be a valuable investment. While the economy has done well over the past five years, oil and gas has continued to struggle, and Suncor's ability to persevere through some very challenging conditions makes the stock a very battle-tested one that could be a good bet to continue to produce good results even amid a recession.

With profits of more than $5.7 billion over the past four quarters, Suncor has enjoyed a very solid profit margin of 14.9% during that time, and the company's focus on efficiency could help ensure that it continues posting a profit in the future. In addition to stability, the stock is also one of the better dividend-growth stocks that you can find on the TSX. And with a dividend yield of 4.3%, it already offers investors a very solid payout today.

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4. TSX:UFS (Domtar Corporation)

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