TFSA Income: 2 Top Dividend Stocks to Own in 2020

Description

The stock market might be in for a volatile ride next year and investors are wondering which companies are the best picks for an income-focused TFSA dividend portfolio.

Let's take a look at two names that might be attractive today.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a major player in the Canadian and U.S. midstream energy segment with a wide swath of operations including gas gathering and processing facilities, pipelines, and a logistics business.

Growth comes from a mix of acquisitions and organic developments. The latest deal is the company's $4.35 billion takeover of Kinder Morgan Canada and the U.S. section of the Cochin Pipeline. The purchase expands the company's reach into the U.S. and is expected to be immediately accretive to cash flow per share.

Once the deal is complete, Pembina Pipeline intends to raise the monthly dividend by 5% to $0.21 per share. The existing payout provides a yield of 5.25%.

The stock has pulled back a bit from the 2019 highs, giving investors a chance to pick up the shares at a reasonable price.

Pembina is large enough that it should continue to benefit from consolidation opportunities in the North American midstream energy sector. It has 65 years of experience, and the integrated assets it operates all along the value chain provide balanced revenue while giving the company a competitive advantage in the space.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) reported steady results for fiscal Q4 2019. Net income rose 2% compared to the same period in 2018. Adjusted revenue rose 7%, but higher expenses took a chunk out of the profits.

Scotiabank finished the fiscal year with a CET1 ratio of 11.6%. That puts it in good shape to ride out any potential economic downturn that might be on the horizon.

Scotiabank continued to reward shareholders with higher dividends and stock buybacks this year. The company repurchased 15 million shares over the past 12 months and raised the dividend twice in 2019.

The current distribution provides a yield of 4.8%.

Scotiabank has invested billions of dollars in acquisitions in the Pacific Alliance countries of Mexico, Peru, Chile, and Colombia. The four form a market of 225 million consumers with a banking penetration that is below 50%.

As the middle class grows, the bank should benefit from rising demand for loans, credit cards, and investment products. The international division accounts for more than 30% of net earnings, providing a decent hedge against a downturn in Canada.

The stock moved up sharply after the fiscal Q3 results came out in August, but still is attractively priced at roughly 11 times trailing earnings.

The bank’s stocks have come under some new pressure in recent days. Any additional downside that might occur in the coming weeks should be viewed as a buying opportunity.

The bottom line

Pembina Pipeline and Scotiabank pay attractive and growing dividends that offer income investors above-average yield.

If you have some cash sitting on the sidelines in your TFSA dividend fund, these stocks deserve to be on your radar.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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