2 Dirt-Cheap Dividend Stocks for Retired TFSA Investors

Description

Retirees should strive to find the perfect balance of upfront dividend yield, dividend growth, and capital appreciation potential. The latter two of which are overlooked by a majority of retired investors who value income and safety above all else.

While the “4% rule” may gravitate investors towards investments that have a decent balance of income and growth (income typically comes at the expense of growth), investors must also consider the price paid for the quality of business they’ll receive to mitigate their downside risk.

You see, Warren Buffett believes that all investing *is* value investing, whether it be growth investing or income investing.

So, not only do retirees need to ensure they get the right upfront yield to satisfy their retirement lifestyle in the present, but they also need to ensure they’ll get regular dividend (or distribution) raises and an adequate amount of downside protection by not overpaying for a stock.

Moreover, when buying undervalued dividend stocks that are trading at multiples below their historical averages, one stands to lock in a larger-than-average dividend yield.

Without further ado, here are two cheap, dividend-rich, quick-serve restaurant stocks that you may want to consider adding to your TFSA amid the continued sell-off in the fast-food industry.

Restaurant Brands International

Up first, we have **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), the 3.2%-yielding fast-food kingpin that’s fallen into bear market territory, with shares currently down 20% from their August 2019 all-time highs.

The broader sell-off in the fast-food industry has undoubtedly driven the recent decline. Add the belt tightening of indebted Canadian consumers and uncertainties with regards to the future of Tim Hortons into the equation, and you've got a stock that's fallen into a tailspin.

Alex Macedo is stepping down from his role as president of Tims after two years of underperformance. The Tim Hortons brand is arguably at a low point after years of meagre same-store sales comps and strategies that haven't hit a spot with Canadian consumers. Sure, you could blame the sluggish economy and rising competition for Tims not living up to its full potential, but most would argue that the issues at Tims go far deeper.

If there's a brand that has turnaround potential, though, it's Tim Hortons — a powerful brand that has a lot of history riding behind it. I'd consider Macedo's departure as a massive positive for Tims and think it could be the start of a significant turnaround that could give Restaurant Brands a major shot in the arm.

For now, there's a juicy dividend to collect while you wait for the company to return to the growth track.

Pizza Pizza

If any fast-food firms have fallen hard at the hands of belt-tightening consumers and rising competition, it's **Pizza Pizza** (TSX:PZA), the beloved Canadian pizza chain behind the Pizza Pizza flagship store and Edmonton-based Pizza 73. The Pizza Pizza and Pizza 73 brands may not be the same calibre as the likes of a Tim Hortons or Burger King, but they've still found a spot with pizza-hungry Canadian consumers over the years.

Shares of the royalty corporation got cut in half between May 2017 and November 2018. The yield has swollen to 8.6% at the time of writing, and while such a large yield may be indicative of a distribution reduction waiting to happen, the royalty play has a payout that's far safer than most common shares with comparable yields.

That's not to say Pizza Pizza's payout is 100% safe, though, as continued weakness could trigger a substantial reduction. Given Pizza Pizza's menu innovation and technological initiatives, though, I think a turnaround is far more likely than a worst-case scenario that pushes management to cut its distribution.

For now, Pizza Pizza will hover around in limbo, as Canadian consumers look to regain their footing. For those willing to go against the grain, I see a delicious opportunity to lock in a nearly 9% yield for a ridiculously low multiple at 11.3 times forward earnings.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:QSR (Restaurant Brands International Inc.)
2. TSX:PZA (Pizza Pizza Royalty Corp.)
3. TSX:QSR (Restaurant Brands International Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/25
Date Created
2020/01/21
Author
joefrenette