



TFSA Investors: 2 Dividend Aristocrats With Massive Upside Potential!

Description

The stocks of Dividend Aristocrats typically have considerable premiums slapped on them. As you may know, nothing is guaranteed in the world of equities.

Still, with companies that have raised the bar on their dividends for over 25 consecutive years, their dividends are seen by many as a way to guarantee oneself a generous raise every single year.

While it's justifiable to pay up for such proven stocks with impressive records of dividend growth, paying too much of a premium can hurt your total returns.

It doesn't matter if you're buying the bluest blue-chip stock in the world, if you pay too high a price, you could get burned.

As such, it's best to keep your favourite Dividend Aristocrats on your radar, so you can bag a bargain when they inevitably dip, either on a broader market pullback or on short-lived company-specific or industry issues so that you can get a higher upfront yield for a lower price of admission.

At this juncture, two Dividend Aristocrats stand out to me as being undervalued. If you can scoop up such a premium dividend growth stock at a significant discount to its intrinsic value, you'll not only get a larger yield on your invested principal and continued annual dividend hikes, but you'll also stand to reap outsized capital gains once shares have the opportunity to "correct to the upside."

Without further ado, consider scooping up the following two Dividend Aristocrats for your TFSA if you've yet to contribute or spend this year's TFSA \$6,000 contribution.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) isn't just Warren Buffett's preferred way to play Canada's oil patch; it's also one of the most prudent bets in the entire energy sector.

The company has a reputation for rewarding shareholders through good times and bad. Right now,

with oil prices falling into another bear market, with WTI currently at US\$49 and change, amid tempered demand expectations, Suncor is in the middle of an industry environment that can only be described as nasty.

Despite the unfavourable environment, however, Suncor has been faithful to its shareholders, recently rewarding them with a very generous 11% dividend hike, slightly higher than the firm's average annual growth rate of 10.5%.

At the time of writing, Suncor stock is 4.8%, which is close to the highest it's been in recent memory as a result of recent capital appreciation and the recent dividend hike.

With shares trading at 13.6 times next year's expected earnings and 1.4 times book, you don't need to be an oil bull to get a solid risk/reward from the name. I'd buy the stock after its fourth-quarter miss and collect the growing dividend, which could soon surpass the 5% mark.

Intact Financial

Intact Financial ([TSX:IFC](#)) has been on a heck of a run, with shares up around 60% from its late 2018 lows. The stock sports a 2.2% dividend yield and is well on its way to delivering generous hikes in the years ahead as the company continues firing on all cylinders.

While the stock had an incredible run last year, that didn't stop me from making Intact [my top TSX stock pick for 2020](#). Shares are up 9% in 2020 thus far, and it has a heck of a lot more room to run.

Given the fundamental improvements and the M&A opportunity to be had, Intact still seems undervalued despite the now higher multiple on its shares.

"Sure, there are cheaper financials, such as insurers and banks with more bountiful yields, but given the accelerating growth potential, I'd say that Intact is a king in the Canadian insurance scene and is looking like the best bet from a risk/reward standpoint over the next few years." I said in a prior piece.

The stock trades at 19.3 times next year's expected earnings and 1.8 times sales, both of which are modest compared to the calibre of business you're getting.

The dividend growth story is still very much intact, so investors would be wise to accumulate shares of what may be [the best Canadian financial](#) on the TSX.

CATEGORY

1. Investing

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1. NYSE:SU (Suncor Energy Inc.)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:SU (Suncor Energy Inc.)

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