Canadians: Buy 1 Top TFSA Stock for “Forever Dividends”

Description

Should investors even be buying Canadian bank stocks right now? And if so, which ones? Three main factors suggest that shares of the Big Five banks certainly deserve a place in a long-term **TSX** investor’s stock portfolio.

Let’s take a quick run through the reasons to hold Canadian bank stocks to see why it might be time to buy for a TFSA now in order to earn dividends through a potential market downturn.

The main reasons why a TSX bank stock is so well suited to a lower-risk portfolio centred around tax-free income revolve around one factor: defensiveness.

Although Canadian banks have been dipping on bad news and are strongly correlated with the market at large (being classically cyclical in nature), some of the best banks stocks are worthy of a place in every portfolio.

Concerned about a coming Canadian bear market? The Big Five banks are technically a protected species, as they prop up the entire economic infrastructure.

If a recession strikes, the government is all but duty bound to support them. The best Big Five stocks also represent some of the highest quality dividend growth on the TSX. And given a Canadian rate cut this year, **Scotiabank** and friends are likely to rally.

But did you know that you can buy a stock that seemingly has nothing to do with Canada’s Big Five and still get access to one of the nation’s largest banks?

Buying shares in **Canadian Tire** (TSX:CTC.A) brings indirect access to Scotiabank though the Canadian Tire financial services business. Extra stability for Canadian Tire shareholders comes from Scotiabank’s 20% stake in the iconic multi-line retailer’s finance segment.

As Canadian Tire’s CEO Stephen Wetmore put it, “The real strength of our partnership with Scotiabank lies in the opportunity it creates to benefit our retail customers and grow our business. By working together and innovating, we will better serve our customers, earn new business, and strengthen our community initiatives."

Apart from this, Canadian Tire is a well-established and iconic store that thrives both online and on the high street. By expanding its click-and-collect initiative, the company helps to tap the e-commerce boom – another recession-busting move that plays on the growing popularity of online shopping.

For larger items, the brick-and-mortar side of its business is also solidly resistant to recessionary shrinkage.

While consumer durables are not as defensive in the typical sense as consumer staples, they are must-haves. Even in the teeth of a fierce recession, what household could do without tires, power tools, or a fresh set of sports gear for a rising generation?

For a multi-line retailer, Canadian Tire is a one-stock safety net boasting impressive real estate, fuel, and financial services diversification.

The bottom line

Overall, Canadian Tire is a surprisingly defensive investment that also plays on the recession resistant properties of fuel sales, and it ties in with an in-house REIT, and must-have durables, such as toys and sports gear.

And for exposure to banking without actually buying a bank stock, Canadian Tire is a low-risk buy.

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