3 Safe TFSA Stocks for Steady Dividend Growth

Description

Buying stocks to pack in a Tax-Free Savings Account (TFSA)? With a potential recession still on the cards, it's not straightforward. However, some sectors are stronger than others when it comes to making a portfolio resilient to a market crash. Insurance, rail operations, and a major fast food business make a trio of defensive picks this weekend as investors eye mounting uncertainty in the markets.

Manulife Financial

At a glance, top Canadian insurer **Manulife** (TSX:MFC)(NYSE:MFC) makes for an overall healthy stock with a strong track record, attractive market ratios, and a well-covered dividend that's currently yielding 4.2%.

With a payout ratio of 36%, there's a lot of potential for this recession-resistant stock to increase its dividends. The wide-moat insurer is active in financial services across North America, Asia, and beyond.

Manulife's earnings grew by 17% in the past 12 months and are projected to grow by around 9% annually, which should reassure the casual low-risk investor seeking insulation from market forces.

Selling for less than half its fair value, there's also scope here for some decent capital gains. Indeed, by the middle of the decade, investors in this popular stock should expect to see total returns in the region of 45%.

Canadian National Railway

On the face of it, **CN Rail** (TSX:CNR)(NYSE:CNI) is a less attractive stock than Manulife. With a balance sheet that could do with some sprucing up, CN Rail doesn't look as good on paper as the nation's favourite insurer.

For instance, CN Rail's dividend yield of 1.85% is lower than Manulife's, and it's not as good value for money, trading above its fair value with overheated multiples.

However, taken together, CN Rail is an exceptional wide-moat pick that the casual investor can buy once and forget about in a stock portfolio.

For one thing, CN Rail has an amazingly resilient share price – great news for any investor who wants to buy stocks and save tax-free during the next recession.

That dividend is reliable, too: CN Rail has a dependable track record of payments, and the payout has increased over the last 10 years. With a payout ratio of 37%, more growth is possible, too. Total shareholder returns in five years could be in the region of 56%, making for a solid buy-and-hold option.

Restaurant Brands

Food is recession-resistant and comes under the consumer staples asset type – one of the few areas that can withstand volatile market forces. **Restaurant Brands** (TSX:QSR)(NYSE:QSR) is a stock that even Warren Buffett likes.

The owner, operator, and franchiser of Tim Hortons, Burger King, and Popeyes rewards stockholders with a 3.1% dividend yield and an 83% payout ratio that leaves room for growth.

Selling at 16.5% less than its fair value, Restaurant Brands is fairly good value for money. With its earnings set to grow by around 20% per year, this one of the few growth stocks on the **TSX** that could potentially carry on growing during the next recession.

With 76% total returns by 2025, Restaurant Brands is an appealing play for downturn-ready income that a TFSA investor can rely on.

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2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. TSX:CNR (Canadian National Railway Company)
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vhetherington