2020 Market Crash: 3 Defensive Dividend Stocks to Buy

Description

Increased fear is present in the stock markets. If you're worried about a 2020 market crash, you should consider these three defensive dividend stocks that should have strong resilience against selloffs.

Fort Fortis

Fortis (TSX:FTS)(NYSE:FTS) stock can be a formidable fort in any diversified portfolio. People need to use gas and electricity in good and bad economic times. So, the leading North American regulated utility will churn out profits, no matter what.

In the trailing 12 months, Fortis brought in revenues of nearly $8.8 billion, operating income of almost $2.5 billion, and net income of $1.7 billion, while it paid out only $561 million of dividends.

The utility's payout ratio is estimated to be about 73% this year. Because of its stable and predictable earnings and its dividend-growth track record of more than 40 years, you can depend on Fortis's safe dividend. At writing, the utility stock yields 3.3% and aims to increase the dividend by about 6% per year over the next few years.

As fears increase in the market, the stock has been bid up. In the last 12 months, the stable utility stock amazingly appreciated 25%. Therefore, interested investors should consider it on dips of 5% or more.

Telus for a 4.5% yield

Like utilities, telecom companies also earn stable and predictable earnings. Particularly, **TELUS** (TSX:T)(NYSE:TU) provides wireless and wireline products and services that are sticky, especially if customers have bundled plans that are provided at a discount.

In 2019, Telus generated revenues of $14.6 billion, operating income of almost $2.9 billion, and net income of $1.7 billion, while it paid out less than $1.2 billion of dividends.

The telecom did well to attract customers. For the year, it had leading customer growth with 713,000 net additions — an increase of 21% against 2018.

The stock has been doing so well that the company decided to do a two-for-one stock split in March, which will further increase the liquidity of the stock. It has also been shareholder friendly, paying out rising dividends every year since 2004.

The dividend stock offers a good mix of income, value, and growth right now. At about $51 per share at writing, the telecom stock yields 4.5% and has room to continue dividend growth from a sustainable payout ratio and growing earnings.

Telus stock trades at a price-to-earnings ratio of about 18, which is a decent valuation to pay for the defensive telecom.

A&W for a 5.2% yield

A&W Revenue Royalties Income Fund (TSX:AW.UN) should be a cornerstone of every income portfolio. Many fund managers ignore the stock because of its small size. Its recent market cap is only about $520 million.

However, A&W's monthly dividend is legitimate, and, as a result, it makes a nice holding for the Tax-Free Savings Account (TFSA) for folks who seek consistent cash flow for passive income. After all, TFSA withdrawals are tax free.

A&W pays out cash distributions from the royalty income that it collects from about 972 A&W restaurants. From each location, it gets 3% of gross sales as royalty fees. It also grows by same-store sales growth, which was 4.1% in 2019.

In 2019, A&W gross sales totaled almost $1.5 billion, while the royalty income was more than $44 million. Distributable cash flow was more than $33 million.

The dip in A&W units is the perfect opportunity to buy for juicy income and an attractive valuation. Furthermore, investors can expect growth that beats inflation.

Investor takeaway

Fortis, Telus, and A&W are all defensive dividend stocks. However, Telus and A&W offer better value today. As such, investors should consider adding to the two to reduce the volatility of their diversified stock portfolios.

Here are more bargain stocks to get more bang from your buck!

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