



TFSA Contribution 2020: 2 Dividend Stocks I'm Buying With My Extra \$6,000

Description

If you waited a couple of months to make your annual TFSA contribution, congratulations. You're in line to pick up some real bargains.

Markets have crashed over the last couple of weeks, with the **TSX Composite** losing close to 20% of its value on coronavirus fears. Investors worry quarantines will push the economy into a recession, and are selling stocks accordingly.

Here are two stocks I recently bought with my TFSA contribution. These two names are beaten-up yet offer excellent long-term [return potential](#).

Royal Bank

Canadian banks have performed poorly lately, making today an excellent time to buy. I chose the best for my portfolio, loading up on **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)).

Royal Bank's domestic operations are excellent. It's the leader of the Canadian banking sector with a dominant position in mortgages, wealth management, and credit cards. RBC even has an insurance division, which gets constant leads from the branch level. It's also a leader in small business banking, and its capital markets division serves the needs of larger companies.

RBC also has significant operations in the United States, where it aims to be the preferred partner of high net worth clients and their businesses. The company has had great success focusing on this profitable niche in the market. It's also one of the leading banks in the English part of the Caribbean, serving a million clients in 16 different island nations and territories.

While I love Royal Bank's operations, the main reason I put some of my TFSA contribution to work in the stock is because of its suddenly low valuation. RBC shares trade for \$93.08 each as I type this. The company is expected to earn \$9.41 per share in 2020. That puts shares at less than 10 times forward earnings, which is incredibly cheap.

Royal Bank is also cheap from a dividend perspective, with shares currently offering a 4.6% payout. That's around 20% higher than the stock's normal dividend yield.

Polaris Infrastructure

I've also used this market weakness and TFSA contribution room to add more shares of **Polaris Infrastructure** ([TSX:PIF](#)) to my account.

Polaris owns power plants in Latin America. Its main asset is the San Jacinto geothermal plant in Nicaragua, and it recently diversified by purchasing a portfolio of hydro assets in Peru. Investors welcomed the acquisition, a move that will allow the company to move cash away from a nation many view as a risky place to invest.

2020 should be a good year as the company is able to enjoy a full year of earnings from these Peruvian assets. The company is also exploring other growth options, including using cheap debt to make another acquisition or expanding San Jacinto.

Polaris doesn't just have solid growth potential. It also trades at a dirt-cheap valuation. In 2019 the company generated US\$1.80 per share in free cash flow. That number should increase in 2020, too. Shares, meanwhile, trade hands at approximately \$14 each on the Toronto Stock Exchange. Once we convert everything to the same currency, we have a stock that trades at less than 6 times trailing free cash flow. That's [insanely cheap](#).

Polaris also pays a generous US\$0.15 per share quarterly dividend, a payout that works out to a 5.8% yield. The payout is only around 33% of free cash flow, making this one of Canada's safest high yield stocks.

Where will you invest your TFSA contribution?

Today is a great time to put excess cash to work. Stocks are depressed and there are buying opportunities all over the market.

Don't delay; you never know when the market is going to rally and you'll miss out on a golden opportunity.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:PIF (Polaris Renewable Energy)
3. TSX:RY (Royal Bank of Canada)

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