TFSA Investors: Why You Need to Buy High-Quality Dividend Shares Now

Description

Global equity markets are bleeding. Ever since the World Health Organization declared the COVID-19 a pandemic, investors have lost trillions of dollars. The **iShares S&P/TSX Index ETF** has declined over 30% from record highs, and investors are sweating over the possibility of more downside.

There have been concerns over slowing consumer demand, as several sectors, including airlines, retail, technology, and energy, are likely to take a considerable hit. While China is slowly limping back to normalcy, several other countries are grappling with this pandemic which has impacted 120,000 people.

Major European economies, including Spain, Italy, and Germany, are under the scanner, while South Korea, Japan, and the United States are also reporting hundreds of new cases every day. Falling oil prices have not helped and have instead exacerbated the sell-off.

As Canada has huge exposure to the energy sector, several indexes are in free fall. Most equity markets have entered a bear market (a decline of over 20%), and while the volatility is likely to persist, it gives an opportunity to buy high-quality stocks at attractive prices.

Be greedy when others are fearful

Warren Buffett has always emphasized that investors need to view a market sell-off as a buying opportunity. The Oracle of Omaha had famously said, “be fearful when others are greedy and greedy when others are fearful.” Currently, investors are fearful and anxious, as it is getting increasingly difficult to gauge the impact of the pandemic on company financials.

The upcoming quarterly results will shed more light on the financial positions of listed companies and the overall impact on the global economy. However, equity markets have been a massive wealth creator for long-term investors and are likely to do so in the future as well.

This is why you need to invest in stocks with healthy balance sheets, strong fundamentals, and robust cash flows right now.

TFSA investors can consider adding this renewable energy giant

Shares of **TransAlta Renewables** (TSX:RNW) are trading at $12.11 and have lost close to 34% in the last month. This has increased the stock's forward dividend yield to a tasty 6.7%. TFSA investors have a maximum contribution limit of $69,500, and investing this amount into TransAlta will result in yearly dividend payments of $4,656. This amounts to dividend payments of $388 per month or $1,552 every quarter.

RNW is a well-diversified renewable energy company with operations in Canada, the United States, and Australia. It has 30 renewable energy facilities and generates 2,400 megawatts of power annually. As TransAlta is part of the utility business, it is a good defensive buy for your TFSA portfolio.

Analysts tracking RNW expect the company to increase sales by 8.4% to $483.3 million, while earnings growth is forecast at 16% for 2020. Comparatively, the stock is trading at a forward price-to-earnings multiple of 15.1, making it attractive given its earnings growth and dividend yield.

The interest rate cuts and other fiscal measures deployed by the government to boost the economy will help TransAlta support its capital-intensive business. While it is not advisable to allocate all your TFSA funds to one stock, TransAlta is one of several Canadian companies with attractive dividend yields that can be considered by investors.

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