



2 Cheap Dividend Stocks to Buy as Markets Drop

Description

Want to protect your hard-earned money? History has shown us that high-quality dividend stocks can insulate your portfolio from market downturns. You just need to know where to look.

When searching for recession-proof stocks, your biggest priority is to find companies that are benefiting from multi-decade tailwinds. Even if we experience a year-long recession, these stocks can grow considerably larger over the long term. That gives you a chance to continue buying, knowing that you'll still turn a nice profit once markets have settled.

Additionally, buy stocks with rock-solid dividends. Some businesses have more cash flow visibility than others. The two stocks on this list, for example, could even *grow* their payouts during a bear market. That gives you more money to meet emergency expenses or buy even more [discounted stock](#).

Mitigate your risk

It's important to review why a stock pays a dividend in the first place. The biggest reason is that the business generates more cash than can be reinvested. Instead of leaving the money in a corporate bank account collecting dust, companies opt to distribute the capital back to shareholders so that they can invest it in other opportunities at more attractive rates.

But there's a big difference between various dividend stocks. Some companies produce excess cash because profits are rising quickly. Others produce excess cash, because it's a function of their business model. When volatility hits, you want to own the latter type of company. **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)) is a perfect example.

Brookfield Renewable owns renewable energy assets around the world, like solar, hydro, and wind facilities. Operating costs are *very* low. After all, flowing water, wind, and sunshine are free for the taking. The company sells the power generation to customers on a long-term basis, with contracts often exceeding a decade in length.

In total, Brookfield Renewable has a low capital-intensity asset base that has years of cash flow

visibility. Those factors allow the stock to pay a 4.8% dividend. Even if markets tank further, this payout should be solid.

Buy the bargain

Brookfield Renewable has a sister company called **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). Instead of clean energy, this business focuses on major infrastructure projects located around the globe. This company can grow *stronger* during a bear market.

Brookfield Infrastructure owns assets like bridges, highways, ports, and power facilities. As populations rise, more demand accrues to these assets. The United Nations projects that global populations will continue to rise until at least 2100. That's the best growth tailwind a company can have!

The best part is that Brookfield Infrastructure manages an *active* portfolio, meaning it can acquire and monetize assets at will. Over the past few months, when prices were nearing all-time highs, the company liquidated roughly \$1 billion in mature assets. Now that prices are falling, the company can redirect this capital into bargain projects.

Importantly, there aren't too many buyers and sellers of multi-billion-dollar infrastructure projects. That limits supply when markets are high, fetching Brookfield Infrastructure an attractive price. But when prices fall, buyers are difficult to find. That puts the company in a prime position to buy low.

Nearly all of Brookfield Infrastructure's assets throw off regular cash, which supports a 3.6% dividend. That's not as high as Brookfield Renewable, but the potential for capital appreciation over the long term appears much higher.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

Category

1. Dividend Stocks
2. Investing

Date

2025/07/05

Date Created

2020/03/15

Author

rvanzo

default watermark