Dividend Investors: 2 Top Canadian Stocks for a TFSA Income Fund

Description

Investors are wondering which top dividend stocks might be attractive picks right now for a TFSA income portfolio.

Turbulent times

The meltdown in the stock market in the past few weeks is certainly scary. Top stocks with decades of reliable dividend growth now trade at very cheap prices. It takes courage to buy when the rest of the market is selling, but history suggests the long-term rewards can be substantial.

Income investors in particular are getting excited. Let's take a look at two top dividend stocks to see if they might be interesting picks right now for a balanced TFSA portfolio.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company. The core business includes wireless and wireline networks that bring mobile, internet, and TV services to consumer and commercial clients across the country.

BCE also owns media assets. The sports teams, television network, specialty channels, and radio stations provide content to distribute to customers. Retail operations and an advertising business complete the portfolio.

The coronavirus outbreak will likely hit revenue in the media group. Professional sports teams have halted their seasons and advertisers might cut back spending in an effort to preserve cash flow in the coming months. The stock is down on fears connected to this division, but the media group generates a small part of BCE's overall revenue.

People and businesses need phone and internet services regardless of the state of the economy. This makes BCE's core operations relatively recession-resistant.

The drop in interest rates in recent weeks should be positive for BCE and its investors. The company uses debt to fund capital programs, and lower borrowing costs can free up more cash for distributions. BCE raised its dividend by 5% for 2020. The stock appears oversold today, and investors can pick up a yield of 6.4%.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns power generation, electric transmission, and natural gas distribution assets in Canada, the United States, and the Caribbean.

Companies and households need to keep the lights on, heat or cool buildings, cook food, do laundry, or charge up electric vehicles. As a result, demand should be steady and revenue both predictable and reliable in these uncertain times.

Fortis is working through more than $18 billion in capital projects that will significantly boost the rate base over the next four years. The company expects cash flow to increase enough to support average annual dividend increases of about 6% through 2024.

Fortis trades at $48 per share compared to $58 in recent weeks. The pullback looks overdone given the nature of the businesses. Investors who buy today can pick up a 4% yield.

Fortis increased the dividend in each of the past 46 years. As with BCE, falling interest rates reduce borrowing costs and should free up cash to support the dividend payments.

The bottom line

BCE and Fortis are reliable dividend stocks that should ride out turbulent times better than the broader market. The stocks trade at cheap prices right now and offer income investors a chance to secure attractive yields.

If you are searching for top dividend picks to add to a TFSA income portfolio, these stocks deserve to be on your radar.

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