Market Crash: 2 Reliable Dividend Stocks for TFSA Income Investors

Description

The market crash is serving up interesting opportunities for pensioners and other income investors seeking top dividend stocks for their Tax-Free Savings Account (TFSA) income portfolios.

Let’s take a look at two reliable Canadian dividend stocks that appear oversold right now and pay attractive distributions that should be safe during the market pullback.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns more than $50 billion in utility assets in Canada, the United States, and the Caribbean. The businesses primarily operate in regulated segments, such as power generation, electric transmission, and natural gas distribution, which means that revenue and cash flow should be both predictable and steady regardless of the state of the economy.

Businesses have to keep the lights on and control the temperature in their buildings. Homeowners require electricity and natural gas to keep appliances running, heat their water, cook food, charge the electric car and power up the laptops.

Industrial clients will likely use less natural gas and electricity in the coming weeks. However, the increase in the number of people working from home during the coronavirus outbreak could drive revenue growth for Fortis.

The company is working through a capital program of more than $18 billion. As the new assets and upgrades are completed, the rate base will rise significantly in the next few years. Fortis expects revenue and cash flow to grow enough to support average annual dividend hikes of 6% through 2024.

That’s solid guidance in uncertain times.

The board raised the dividend in each of the past 46 years, so investors should be comfortable with the outlook. The stock trades near $45 per share at the time of writing, compared to $58 earlier this month. The sell-off appears overdone and investors who buy today can pick up a 4.25% yield.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's largest financial company and one of the top 15 in the world.

Bank stocks are under pressure amid worries that a spike in unemployment due to the coronavirus outbreak could trigger a wave of defaults on mortgages and other loans in the personal banking segment. Commercial clients are also feeling the pinch. The tourism, hospitality, and energy sectors are really taking a hit.

As a result, provisions for credit losses are going to increase and loan growth could stall.

Upside?

The Canadian government is putting together aid programs to help consumers and businesses get through the tough times. The announcement of $82 billion in assistance last week is the just the start.

In addition, the purchase of up to $50 billion in mortgages will provide the Canadian banks with added liquidity to keep lending. Further measures will likely include a major spending initiative to drive growth and get people back to work once the coronavirus outbreak passes.

All this points to good times for the banks in the medium term.

Royal Bank's share price is down from $108 a month ago to $76 at the time of writing. Despite the headwinds, however, Royal Bank remains very profitable with a strong capital position. While the next few months might be rough, Canada's biggest financial institution has the means to ride out the downturn.

The dividend should be safe and investors who buy the stock today can pick up an attractive 5.7% yield.

The bottom line

Additional downside could be on the way, so I wouldn't back up the truck just yet.

That said, buy-and-hold investors searching for reliable dividend stocks for a TFSA income fund might want to start nibbling on Fortis and Royal Bank right now.

When the market recovers, the move could be significant and occur in a very short time frame.

CATEGORY

1. Bank Stocks
2. Dividend Stocks

3. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/20
Date Created
2020/03/24
Author
aswalker