



## TFSA Investors: 3 Stocks I'd Invest in With an Extra \$6,000

### Description

It's wonderful if you have room in your Tax-Free Savings Account (TFSA), because stocks are much cheaper now. A few months ago, it was real work to get a diversified portfolio together to aim for annualized total returns of 10%.

Now that the coronavirus storm has swept through the markets, investors can now expect much higher long-term total returns for the new money they invest now.

Here are three stocks I'd invest in with an extra \$6,000, dividing it equally in each.

### Buy Brookfield Infrastructure in the TFSA

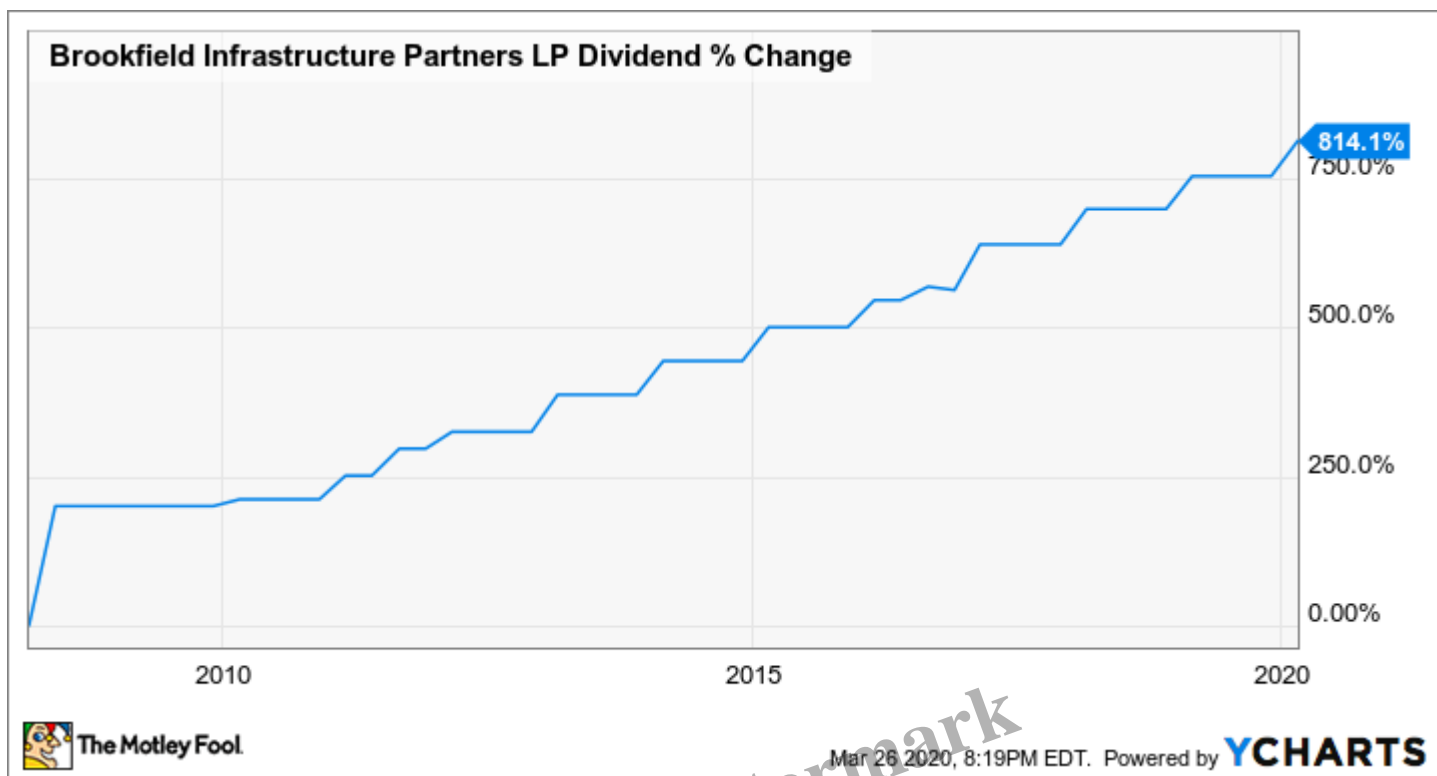
**Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)) is an [excellent core dividend holding](#) for the TFSA.

BIP owns a diverse portfolio of cash cow infrastructure assets around the world. They are essential infrastructure systems that help move or store energy, water, freight, passengers, and data.

Specifically, the infrastructure owner and operator earns about 31% of its cash flow from North America, 27% from South America, 22% from Asia Pacific, and 20% from Europe.

TFSA investors will love that BIP tends to outperform its industry and the market in total returns and income. Thanks to the bear market, you can now buy the stock with a boosted cash distribution yield of close to 5.5%.

The reduced valuation means that TFSA investors can buy the quality utility stock now and expect to generate long-term returns that are at least 12%.



BIP Dividend data by YCharts.

The chart above illustrates BIP's cash distribution growth since it was spun off from **Brookfield Asset Management**. Sit back and enjoy dividend increases from BIP stock, as management aims to increase the cash distribution by 5-9% per year.

## Buy National Bank of Canada in the TFSA

TFSA investors should consider buying **National Bank of Canada** ([TSX:NA](#)).

Here are several key facts you should know about the bank.

First, as the smallest of the Big Six Canadian banks, National Bank stock tends to [outperform its bigger peers](#) in dividend safety, earnings growth, and dividend growth.

Second, National Bank has a bigger concentration in Canada than its peers. It generates about 80% of its revenue domestically and roughly 55% from Quebec. Quebec is typically a stable region, as the second-most populated province in the country, and a contributor of approximately 20% of the country's gross domestic product.

Third, the United States and Cambodia are boosters of growth that contribute about 20% of the bank's revenue.

Finally, at about \$54 per share at writing, National Bank trades at a discount of 20% from its normal valuation. As a result, its yield has been lifted to about 5.3%.

The bank's dividend should be safe in today's harsh economic environment because its payout ratio of about 44% offers a bigger margin of safety compared to the industry average.

## Buy Canadian Natural Resources in the TFSA

TFSA investors can consider **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) as a contrarian dividend stock idea.

When the coronavirus first started, the market already sensed the lower demand for energy. That dragged down the WTI oil price from about US\$63 to US\$53 per barrel. Then the oil price war jumped out of nowhere, which weighed on oil prices even more. At writing, the WTI price sits at only US\$23.

In reflection to the poor energy operating environment, Canadian Natural Resources cut its 2020 capital budget by about 27% to \$2.96 billion. Simultaneously, it has suspended its share-buyback program and reduced executive compensation to preserve capital.

Interestingly, despite the capital budget cut, CNQ expects no change to its 2020 production guidance volumes.

Moreover, management expects its moves to preserve capital will allow it to cover its current dividend (which it just increased by 13%) and maintain its balance sheet strength.

CNQ is awarded an investment-grade S&P credit rating of BBB+. At writing, the large oil and gas producer offers a whopping yield of 11.6%.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:NA (National Bank of Canada)

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