TFSA Investors: If You've Got $6,000, Buy This Dividend Stock Right Now

Description

We're investing through times of considerable uncertainty, so TFSA investors should consider being cautiously optimistic rather than chasing the hardest-hit names at this juncture.

The second quarter is undoubtedly going to lead to more wild market swings and perhaps a few more circuit-breaking down days. As a self-guided TFSA investor, you need to roll with the punches and pick your spots carefully amid the turmoil. Nobody knows when the coronavirus is going to subside, and if you're not prepared for a worst-case scenario to pan out, your portfolio could stand to take another beating.

Fortunately, there is a class of stocks that I see as safe havens in this turbulent market. And it's these such stocks that can not only buoy your portfolio as the waters get rougher but also be among the first to rebound when it comes time.

TFSA investors should look to certain plays in an uncertain market

Nobody knows when the market will rebound or how sharp it'll be. As Foolish TFSA investors, we don't really care to ask such questions, though. We're all about buying great businesses at discounts to their intrinsic value. And with the earnings impact of COVID-19 still highly uncertain for most companies, I like to look to well-capitalized defensive stocks that have the ability to keep their earnings steady and their dividends intact.

In essence, I'd recommend TFSA investors stick with stocks that are easier to value in these highly uncertain times, because it's preferred to pick up money that's not sitting in front of a steamroller!

Without further ado, enter the high-yield renewable energy stocks. Many of them have robust operating cash flows, relatively healthy balance sheets, and dividends that are more than sustainable. The COVID-19 pandemic has disrupted everything. Some industries, such as travel and energy, have been affected more than others. And some, like the renewables, stand to suffer from such disruption to a lesser extent.

TFSA investors: A green play with a secure dividend and fewer uncertainties

Consider shares of renewable energy kingpin **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), which is riding on generational ESG (environment, social, and governance) tailwinds. The stock is currently down 20% from its all-time highs, with a bountiful 4.5% dividend yield. For those unfamiliar with the name, it's a green energy firm that provides investors with a front-row seat to hydro, wind, and solar power plants in addition to rock-solid water utility businesses.

I'm a raging bull on Algonquin's portfolio of growth projects in a rock-bottom interest rate environment. While COVID-19 will have some impact on near- to medium-term growth projects, the long-term thesis is still very much intact, and the secular tailwind blow isn't going anywhere anytime soon. Moreover, Algonquin's "Steady Eddie" utility subsidiaries, Liberty Power and Utilities, will keep cash flows stable, as the company moves through what's going to be a hideous second quarter for the broader markets.

Algonquin's 4.5% yield may not seem like much these days, with some of the harder-hit dividend stocks now sporting double-digit yields. But how many of the other super-high yielders can say that their dividend is relatively safe in the face of a recession?

As a TFSA investor, I'd rather reach for the safe dividends than ones that are not going to be coverable by cash flows, as COVID-19 continues to wreak havoc on businesses across the board. At least you can sleep comfortably at night, knowing the dividend won't be taken from you at a time where liquidity is hard to come by.

Foolish takeaway

Algonquin is by no means the biggest bargain in the market today. But it looks to be a great deal for cautiously optimistic TFSA investors to hide if they're worried the tide will go out in the second quarter. If you've yet to invest your 2020 TFSA contribution, look no further than Algonquin, a Steady Eddie that could fall far less than the broader indices.

Stay hungry. Stay Foolish.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

PARTNER-FEEDS

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

Category

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

Date
2025/07/01
Date Created
2020/04/02
Author
joefrenette