Market Crash 2020: 2 Safe TSX Dividend Stocks for Your TFSA

Description

Investors generally take shelter under dividend stocks amid broader market uncertainty. The **TSX Composite Index** has surged almost 20% since its recent lows late last month. Importantly, broader markets might continue to be volatile in the near future.

These are the conditions when defensive investment strategies like dividend investing would prevail. However, investors should not look only for high yields. Stocks that offer dividend stability along with a consistent increase in payouts generally tend to outperform over the long term.

A Tax-Free Savings Account (TFSA) is one of the best options to create long-term wealth, as it generates a corpus without any tax liability. One can use it to buy stocks with strong total return potential, which comprises dividends and stock appreciation both. The TFSA contribution limit for 2020 is $6,000, and the total contribution limit is $69,500.

TSX dividend stocks with stable earnings and growth

One of the biggest regulated utilities, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN), looks like an attractive dividend stock in the current market scenario.

Algonquin is a diversified utility that operates in Canada and the United States. Along with a regulated gas and electricity business, it has a presence in renewables and water treatments as well.

It has a beta of 0.4, which indicates much lower volatility compared to equities at large. Thus, one can expect AQN stock to remain relatively resilient in volatile markets.

Algonquin Power stock currently yields 4.5% and is expected to increase dividends by 6% per year for the foreseeable future. If an investor invests his 2020 TFSA contribution limit of $6,000 in AQN, he will generate approximately $270 per year in dividends.

What makes Algonquin attractive at the moment is its non-cyclical nature of business and stable dividend profile. Utilities generate stable cash flows and thus pay stable dividends. Even if a recession hits in the near future, Algonquin's earnings will likely remain stable, as will its dividends.

Premium dividend yield

Internet and telecom company **Shaw Communications** (TSX:SJR.B)(NYSE:SJR) is another such company with a stable dividend profile. It has a dividend yield of 5.4%, notably higher than the broader markets. If an investor invests $6,000 in Shaw, they will make $325 per year in dividends.

Shaw Communications generates stable earnings with its 3.2 million internet and home phone subscribers. It is a leading direct-to-home satellite TV broadcaster and also has an extensive fibre-optic cable network in Canada.

Shaw Communications's foray into wireless business has opened new gates of growth for the company. Its wireless arm, Freedom Mobile is a low-cost service provider and has seen its number of subscribers notably increasing in the last few quarters.

Shaw will likely keep on paying steady dividends to its shareholders with its stable cash flows for the years to come. Additionally, the higher earnings growth powered by the budding wireless segment could drive its stock upwards.

An $11.6 billion Shaw Communications stock has surged more than 25% since last week. While its recovery was as sharp as its crash last month, I think the stock still has some steam left. It is trading at a forward price-to-earnings multiple of 16 times, which is in line with its historical average. Thus, with fair yield and visible dividend growth, Shaw Communications is an attractive dividend stock to hold for the long term.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:SJR (Shaw Communications Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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Author
vinitkularni20