Market Crash: 2 Sleep-Easy Dividend Stocks for Retirees

Description

Canadian retirees rely on dividend income generated inside their TFSA to supplement CPP, OAS, and company pensions.

The 2020 market crash has hit the share prices of most stocks in the **TSX Index**, and many top companies now trade at attractive prices. Retirees, however, need to protect capital. Buying in volatile times carries risk. Cheap stocks often get much cheaper before the bottom occurs.

With this thought in mind, let's take a look at two top Canadian dividend stocks for a TFSA that provide essential services and have recession-resistant revenue streams.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest provider of communications services.

The company's world-class wireless and wireline networks connect people and businesses through multiple platforms. Consumers and companies consider mobile and internet subscriptions to be essential services. Amid the coronavirus lockdown, TV can be rolled into that group as well.

It wouldn't be a surprise to see BCE report a strong Q2 2020 supported by streaming subscriptions and upgraded data plans. Schools are closed across the country, and millions of Canadians are working from home.

One risk to watch, however, is BCE's media division. The group owns sports teams, radio stations, a television network, and an advertising business. Revenue will be down due to reduced spending by advertisers and the postponed sports leagues.

That said, the media group represents a small part of overall revenue.

BCE raised the dividend by 5% in 2020. The current payout provides a yield of 5.7%. The distribution should be very safe.

The stock traded as high as $65 in February and currently sits at $58.50 per share. That’s only a 10% drop. The TSX Index is down more than 20% over the same time frame.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns more than $50 billion in power generation, electric transmission, and natural gas distribution assets in Canada, the United States, and the Caribbean.

Revenue primarily comes from regulated businesses, meaning cash flow is generally predictable and reliable. This is one reason Fortis has one of the best dividend track records in Canada. In fact, the board raised the payout in each of the past 46 years and is targeting average annual hikes of 6% through 2024.

Growth comes from acquisitions and internal projects. The current capital program of more than $18 billion is expected to boost the rate base significantly over the next few years to support the dividend increases.

Fortis uses debt to finance takeovers and cover the development costs of its capital projects. Recent interest rate cuts by the U.S. Federal Reserve and the Bank of Canada make borrowing cheaper. Falling bond yields also reduce the cost of acquiring funds for projects. As a result, Fortis might have more cash available for distributions.

Rates will eventually rise again, but that isn’t expected for some time.

Fortis provides services that are essential to keep homes and buildings running. The fact that millions of people in Canada and the United States are at home for the next month, rather than at work, could result in a net surge in electricity and natural gas demand.

The stock trades at $55 per share compared to $58 in February, so investors are in good shape. At the current price, the dividend provides a 3.5% yield. That’s still much better than what you can get from a GIC.

The bottom line

BCE and Fortis are holding up well during the crisis and should continue to be solid picks for a dividend-focused TFSA.

If you want top income stocks that will allow you to sleep at night, these companies deserve to be on your radar today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created
2020/04/08
Author
aswalker