TFSA Investors: 1 Top TSX Dividend Stock to Buy If You Have $6,000

Description

The Tax-Free Savings Account (TFSA) is one of the most flexible investment options for Canadians. Contributions to the TFSA are not tax-deductible. However, any withdrawals from this account are tax-free.

The contribution limit for your TFSA in 2020 stands at $6,000. But where do you invest your savings in an uncertain economic environment? The equity markets are volatile and bond yields are nearing record lows. Investors need to identify low beta stocks with robust cash flows and a huge market presence to allocate their funds.

Emera Inc. is a safe bet for your TFSA

Emera Inc. (TSX:EMA) is one of Canada's largest utility players. With a market cap of $13.5 billion and $32 billion in assets, it serves over 2.5 million customers in Canada, the U.S. and the Caribbean.

The company is based in Halifax and owns and operates regulated electric and gas utilities in North America. These cost-of-service utilities provide essential services to consumers, making Emera one of the safest bets in the current market. While people have drastically reduced consumer spending, they will continue to pay bills for these essential services.

Emera's rate-regulated businesses are concentrated in Florida and Nova Scotia, two regions that have experienced stable regulatory policies and economic conditions. This has resulted in stable cash flow, reliable earnings and dividend growth.

Emera has outlined a $6.9 billion capital investment plan between 2020 and 2022 with the potential for additional capital opportunities between $500 million and $1 billion in this forecast period. This will increase the company's rate base growth by at least 7% annually until 2022.

The company's press release states, "This plan includes significant investments across the portfolio in renewable and cleaner generation, infrastructure modernization and customer focused technologies. This planned capital investment is being funded primarily through internally generated cash flows and debt raised at the operating company level."

Strong dividend growth

Like several other utility companies, Emera has also increased dividends at an annual rate of 6% since 2000. It aims to increase dividends by 4% to 5% between 2020 and 2022. The company estimates a payout ratio between 70% and 75% in the aforementioned forecast period and annual dividend growth of between 4% and 5%.

Emera stock is trading at $55.77, which is 8.5% below its 52-week high. It has managed to outperform broader markets in 2020 and should continue to do so given its stable cash flows and recession-proof business.

While Emera Inc is just one such utility stock, investors can look to invest in peer companies such as **Fortis** and **TransAlta Renewables.** There are several other defensive stocks including telecom giant such as **Telus** and **BCE Inc.,** while grocery stocks including **Walmart, Loblaw** and **Kroger** are also attractive buys.

Another set of companies that can be considered are those with a set of subscription products. These products generate a steady revenue stream making growth companies such as **Microsoft** and **ServiceNow** enviable bets.

While airlines and the travel sector have been decimated recently, utilities, telecom and subscription tech companies have outperformed the broader markets.

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