



TFSA Dividend Portfolio: 2 Top TSX Income Stocks to Buy With \$6,000 in 2020

Description

Canadian retirees and other income investors are trying to decide where to invest their \$6,000 [TFSA](#) contribution in 2020.

Dividend bonanza

The **TSX Index** is currently full of [cheap stocks](#) that offer reliable dividends with above-average yields. The best companies to own in a dividend portfolio tend to be industry leaders with wide moats. In the current environment, investors should consider businesses that provide essential services.

Let's take a look at **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) to see why they might be interesting picks today for a TFSA income fund.

BCE

BCE is Canada's largest communications company. The business provides mobile, internet, and TV services to customers across its vast wireless and wireline network infrastructure.

Canadians pay some of the highest rates in the world for these services and the government has pledged to push the mobile companies to reduce the fees. This is a potential risk for investors and should be considered when evaluating the stock.

BCE and its peers argue that intervention by the government will force them to reduce investments in the networks. That could put the country at a competitive disadvantage.

The coronavirus pandemic is showing the value of having state-of-the-art communication networks in place. Broadband usage is surging, as millions of Canadians remain under lockdown orders. Employees are working from home offices, and young people of all ages are streaming content to keep up with their studies or to simply stay entertained.

BCE's network is meeting the challenge, and this is largely due to the billions of dollars invested in recent years to ensure customers have the broadband capacity they need in any circumstance.

The costs are high, but consumers and the government might at least feel a bit better about where the money is being invested.

Upside?

The Q1 and Q2 results on the communications side of the business might turn out to be better than analysts expect. Upgrades to service packages and new subscriptions should be robust. BCE's retail chain could also show strong results as companies scramble to equip their staff with new laptops and other devices to work from home.

The share price is holding up well amid the market downturn. BCE trades at \$58 per share at the time of writing. It was at \$65 in February before the market correction. Investors who buy the stock today can pick up a 5.7% yield.

BCE's customers might not like their mobile, internet, and TV subscription rates, but they can at least get some of their money back by owning the stock.

Enbridge

Enbridge is a leading player in the North American energy infrastructure sector. The company transports a significant part of the oil production in Canada and the United States. The natural gas distribution assets deliver essential fuel to millions of homes and businesses.

Enbridge streamlined its business structure and cleaned up the balance sheet before the market crash. The proceeds from roughly \$8 billion in non-core asset sales should help Enbridge self-fund its \$11 billion capital program.

Revenue primarily comes from long-term contracts and regulated assets. This means Enbridge has little direct exposure to volatile oil prices. The downturn is putting pressure on its customers, but the largest contracts are with the industry's top players.

The stock trades at \$40 per share compared to \$57 in February. The sell-off appears overdone and the dividend should be safe. In fact, a hike wouldn't be a surprise in 2021.

Investors who buy now can pick up a yield of 8%.

The bottom line

BCE and Enbridge pay reliable dividends that offer above-average returns today. A new investment split between the two stocks would provide an average yield of about 6.85%. That's much better than the 2% offered on a bank GIC right now and you get a shot at some nice capital gains once the market recovers.

If you have some cash sitting on the sidelines in your TFSA, these stocks deserve to be on your radar for an income-focused portfolio.

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2. NYSE:ENB (Enbridge Inc.)
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Date

2025/07/05

Date Created

2020/04/14

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