Dividend Investors: 2 Cheap High-Yield Stocks for a TFSA Pension

Description

While the 2020 market crash is scary, it's the best opportunity since the Great Recession to add top-quality stocks to their portfolios at cheap prices.

In fact, this might be the investing chance of a lifetime to boost retirement earnings. Pensioners and other Tax-Free Savings Account (TFSA) investors can now put together a personal pension fund that provides an average yield of 6-7%.

Let's take a look at two top dividend stocks that appear oversold right now and might be interesting picks for TFSA income investors.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is North America's largest energy infrastructure company with oil, gas liquids, and natural gas pipeline and utility assets in Canada and the United States.

The company plays an integral role in the efficient functioning of the energy sector, transporting a significant volume of the oil produced and gas consumed in the two countries.

Revenue primarily comes from regulated assets and long-term contracts, which means cash flow should be steady and predictable. Oil prices are at multi-year lows, but Enbridge has limited direct exposure to commodity markets. It simply acts as a toll booth.

The $11 billion capital program should boost cash flow in the medium term. Enbridge sold nearly $8 billion in non-core assets before the crash, so it should be able to fund the bulk of the investments through internal means.

The stock is down to $41 per share from a 2020 high around $57. This appears oversold and investors can pick up a solid 7.9% yield.

TD

Toronto Dominion Bank (TSX:TD)(NYSE:TD) is Canada's second-largest bank by market capitalization.

The company is widely considered to be the safest pick among the big Canadian banks. TD has limited direct exposure to the energy sector. It also relies less than its peers on capital markets activities to drive revenue.

This doesn't mean the stock is without risk, however. TD has a large Canadian residential mortgage portfolio. Skyrocketing unemployment could push defaults beyond even the worst-case scenarios the banks envisioned possible.

In the event the economic downturn stretches into 2021 and homeowners who deferred mortgage payments still don't have incomes, we could see a wave of property listings and a subsequent crash in the housing market.

The upside?

The government's plan to buy $150 billion in mortgages from the banks will help. The financial institutions have to keep lending to keep the economy moving and this will provide added liquidity.

In addition, the government is providing financial aid to people who lost jobs and to businesses that have been forced to close due to the pandemic.

Investors should prepare for ugly bank results in the next two or three quarterly reports, but a strong recovery should follow. TD trades at $57 compared to $76 in February. While more downside could be on the way, most of the damage is likely already done.

The dividend looks safe and investors can now pick up a 5.5% yield.

The bottom line

Enbridge and TD are leaders in their respective industries. The companies are dividend stars and should be solid picks for an income-focused TFSA portfolio.

An equal investment between the two stocks would generate an average yield of 6.7%.

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