Got $6,000 TFSA Cash to Spend? Buy These 2 Beaten-Down Stocks

Description

The market devastation caused by COVID-19 in combination with the oil price war is painful to income investors. At one point, between late February and mid-March 2020, the Toronto Stock Exchange (TSX) fell by a whopping 30.3%. On March 9, 2020, the TSX posted its biggest one-day loss (-10.3%) in 32 years.

Investors are in panic mode now that Canada's main stock market is in bear territory. If you trace previous market declines, the 2020 version is by far the sharpest and deepest. The interest rate cuts by the Bank of Canada plus the government's $82 billion stimulus package looks inadequate to overturn the situation.

These days, any amount of income you can generate will help avoid financial dislocation. If you have free cash of $6,000, for instance, it can earn you tax-free money within a Tax-Free Savings Account (TFSA). You can opt to invest in two beaten-down stocks that pay consistent dividends.

The power of dividends

Capital Power (TSX:CPX) is an independent power producer responsible for providing 6,400 megawatts (MW) of power in key areas of Canada and the United States. Its energy sources or asset portfolio consists of coal, natural and landfill gas, solar, solid fuels, waste heat, and wind.

In the present pandemic, this $2.93 billion utility company is playing a critical role. Its Cardinal Point Wind project came in the nick of time. The 150 MW facility began commercial operations on March 16, 2020, in Illinois.

On March 26, 2020, or 10 days from the start of operations, Capital Power received US$157 million in net tax equity financing from two American financial institutions. The funders will receive in exchange Class A interests of a subsidiary of the Capital Power.

Year to date, Capital Power has a 17.7% double-digit loss on the stock market. The current dividend is 6.91%, and at this yield, the corresponding tax-free income in the TFSA will be $414.60.

Canadian Western Bank's (TSX:CWB) 36.7% year-to-date loss is a deal buster at first glance. However, it remains appealing to TFSA investors, because the market selloff brought down its price to $19.94. A $6,000 budget can purchase 301 worth of shares that would pay a 5.83% dividend.

Unlike other dividend-paying companies, this $1.74 billion bank hasn't made any announcements of a dividend cut. Since 2000, there were no dividends whatsoever. Your $6,000 capital can produce $349.80 in tax-free, passive income. The dividends are safe, given the low payout ratio of 35.37%.

The ongoing concern of Canadian Western is to become the best full-service bank for business owners. In the recent 2020 Best Workplaces in Canada competition, this bank placed 41 out of 400 total participants. Great Place to Work, a global research and consulting firm, bestowed the latest milestone.

During this health crisis, small- and medium-sized business customers are covering non-deferrable operating costs with the assistance of Canadian Western through the Canada Emergency Business Account.

Profitable combo

A bank stock and utility stock that deliver an income stream should be good to keep in your TFSA. However, you are advised to proceed with caution, as the market is very unpredictable during the pandemic.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CPX (Capital Power Corporation)
2. TSX:CWB (Canadian Western Bank)

PARTNER-FEEDS

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

Category

1. Bank Stocks

2. Dividend Stocks
3. Investing

Date
2025/08/24
Date Created
2020/04/22
Author
cliew