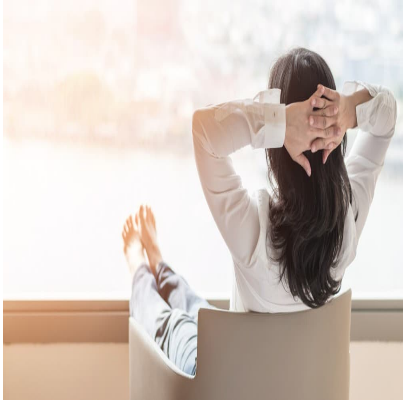

This 12% Dividend Stock Has No Downside

Description

In today’s economy, a dividend stock is a must-have. Whether you’re looking to juggle your portfolio, or simply have some extra cash to put aside, the top stock I would consider are those that offer solid dividends.

What investors should be looking for are solid companies that aren’t going anywhere anytime soon. These companies are the most likely to have earnings remain steady even during a market downturn.

However, this could mean looking beyond share price, as usually investors tend to drop even a dividend stock during a bad economy even the company itself is doing well.

So if you’re looking for a dividend solid stock today, **Chemtrade Logistics Income Fund** (TSX:CHE.UN) is the perfect option.

Top dividend stock

Let’s get to the good part right away. Chemtrade currently offers a whopping 12.15% dividend yield as of writing. You won’t get that from practically any other stock out there, and this alone is a great reason to buy up the dividend stock. But of course, it shouldn’t be your only reason.

There is a downside to Chemtrade. This company was one of the first out there to cut back its dividend yield at the beginning of the pandemic. Frankly, Chemtrade (and most other businesses) wasn’t sure how the pandemic could affect its business.

It therefore pushed back its earnings reports and future outlook until it had a better grasp on the situation. After all, it’s better to have the cash on hand upfront and deal with the fallout rather than *need* to cut it later and upset investors.

Of course, investors were still upset about the cut and sold shares in droves. Many analysts now feel this was a mistake. If investors look at the company's earnings when everything goes back to normal, that leaves today's share price as a steal.

The company serves industries that, if not an essential business, are pretty close. Oil refineries, water treatment plants, and the paper industry are just some of the places where Chemtrade is needed, which means this dividend stock is likely to soar back once the pandemic subsides.

Now's your chance

Today, you have a chance to do two things. First, you can lock in this amazing 12% dividend yield. That's something it can't take away from you once the company returns to normalcy. Second, there's the chance to see a huge increase in your initial investment.

This dividend stock traded at almost $12 before the crash. Analysts give it a fair value of about $8 per share, leaving a potential upside of 60% to reach fair value, and 140% to reach pre-crash prices.

So here's what would happen if you were to take your Tax-Free Savings Account (TFSA) and put half of the contribution room toward Chemtrade today. You would have 6,950 shares from the $34,750 investment.

That would give you $4,170 in dividends each year — and the potential of reaching between $55,600 and $83,400 from your initial investment. That's just in a year's time, never mind if you buy now and forget it for the next decade.

Not bad for a lowly penny dividend stock.

CATEGORY

1. Coronavirus
2. Investing
3. Top TSX Stocks

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

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