Retirement Investing: 2 Top Dividend Stocks Yielding 6% Today

Description

Canadian savers are using their RRSP and TFSA contributions to build portfolios for retirement income.

Rare opportunity

The 2020 market crash is scary, and the near-term outlook for the economy remains uncertain. However, history suggests that buying shares of top-quality businesses during a market crash can result in great returns down the road.

The recent correction in the equity markets finally provides dividend investors with a chance to buy top dividend-growth stocks at prices that offer above-average yields.

This is great for investors of all ages.

Young investors who are building funds for retirement can use the distribution to buy new shares and harness the power of compounding. Retirees can take advantage of the high yields to boost income they generate on their personal savings.

Let’s take a look at two top-quality dividend stocks that still appear oversold right now.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada’s largest communications services provider. It also has media operations, including sports teams, a television network, specialty channels, an advertising group, and retail stores. This side of the business is feeling some pain amid the lockdowns but represents a small part of the overall revenue stream.

The wireless and wireline operations continue to see strong demand amid the pandemic. BCE's robust infrastructure is able to meet rising demand for broadband across multiple platforms, indicating the value provided by the billions of dollars of investment in state-of-the-art infrastructure.

BCE has the power to raise prices when it needs additional cash, and the dividend should be very safe. The stock trades near $55 today compared to $65 in February. At the current price, investors can pick up a 6% yield.

The main threat to the stock is rising interest rates. This shouldn't be an issue for the next few years.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) paid its first dividend in 1829 and has sent investors a cheque every year since that time.

The bank's share price is down significantly in the past three months, falling from a $100 per share to the current price near $66. The plunge shows the concern the market has for the banks being able to ride out the recession. It's true that loan losses are expected to soar over the next year, and Bank of Montreal will certainly take a hit.

That said, the Bank entered the crisis with a strong capital position and efforts by the Canadian government should help reduce bankruptcy filings and defaults on loans.

Additional pain could be on the way, but the stock likely has most of the downside risk built into the price at this point. Five years from now, Bank of Montreal should trade much higher than today. Investors who buy the stock at this level can pick up a 6.4% yield.

The bottom line

BCE and Bank of Montreal pay attractive dividends that should be safe. The stocks appear oversold right now and offer solid opportunities for investors to lock in high yields for their TFSA or RRSP portfolios.

Dividend growth should continue once the economy gets back on its feet, and investors could pick up some nice capital gains on these stocks in the next two or three years.

CATEGORY

1. Investing

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3. TSX:BCE (BCE Inc.)
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