Dividend Investing: 2 TSX Stocks to Buy

Description

Uncertainty in economies around the globe has caused stocks to remain unsettled. For the purpose of long-term dividend investing, this means there's now discounts available.

Investors can lock in stocks at decent prices with outsized yields at the moment. By doing so, the total return potential over a long horizon is quite high.

However, it's vital for investors to choose high-quality dividend stocks. With a global pandemic exposing vulnerabilities in businesses, investors need to be confident the stock can weather an economic downturn.

Today, we'll look at two TSX stocks that are poised to survive these difficult times and thrive in the future.

Dividend investing: BMO

Bank of Montreal (TSX:BMO)(NYSE:BMO) is one of the major Canadian banks. It offers banking services to its individual and commercial customers in the U.S., Canada, and around the globe.

BMO hasn't been immune to negative pressures that have dragged down the broader stock market. It was trading as high as $100.92 as recently as February 21 and is currently trading at $64.36 as of writing.

However, for those focused on long-run dividend investing, this simply means BMO might present a solid buying opportunity. With its 6.59% yield, there's no doubt the potential for high total returns is there.

BMO has focused on its U.S. presence recently, which is a strategy that's certainly paid off for its peer **TD**. By staying diversified geographically, BMO is protecting itself against various risks.

However, it's worth noting BMO has high exposure to Canadian oil and gas. Considering the current state of the sector, that could be a near-term issue.

In the long term though, BMO is so well-capitalized that this exposure should be somewhat of a non-issue. Plus, considering the massive yield on offer and BMO’s commitment to growing that yield, sentiments should still be largely positive.

Dividend investing: RBC

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada’s largest bank by market cap. Its domestic and global presence make it a household name when it comes to banking.

Like with BMO, RBC has also felt the effects of the economic downturn. It’s currently trading at $82.50, but traded as high as $109.21 on February 21. It’s worth noting that RBC hasn’t fallen as drastically as BMO.

Currently, RBC is yielding 5.24% and has one of the most secure dividend yields on the TSX. RBC, along with the other Canadian banks, hasn’t cut dividends for many years — not even during the financial crisis.

For those worried about exposure to oil and gas, RBC is by far less exposed to the sector than BMO, while still be less exposed to domestic housing than some of the other banks as well.

In the long run, RBC’s industry-leading capabilities and massive dividend yield could make for huge returns. For dividend investing, a yield of 5.24% is more than solid.

You can scoop up a bigger yield with BMO, but you’re taking on a little more sector-specific risk and sacrificing a bit of stability as well.

Dividend investing strategy

In the end, you can’t really go wrong with the major Canadian banks. If you’re seeking a bit more reliability and diversification, RBC might be the better choice. But, BMO’s monstrous yield is definitely worth consideration as well.

Over time, with dividend re-investing and compounding taken into account, owning either of these stocks is a great pathway to high returns.

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