Investors: Cheer This Income Stock

Description

TransAlta Corporation has had a dubious history in Canada, which may add some legal risk to the income from your retirement portfolio, TFSA, and RRSP. In 2015, the Alberta Utilities Commission enforced a $56 million fine on the company for timing power plant outages with the intention of increasing electricity prices.

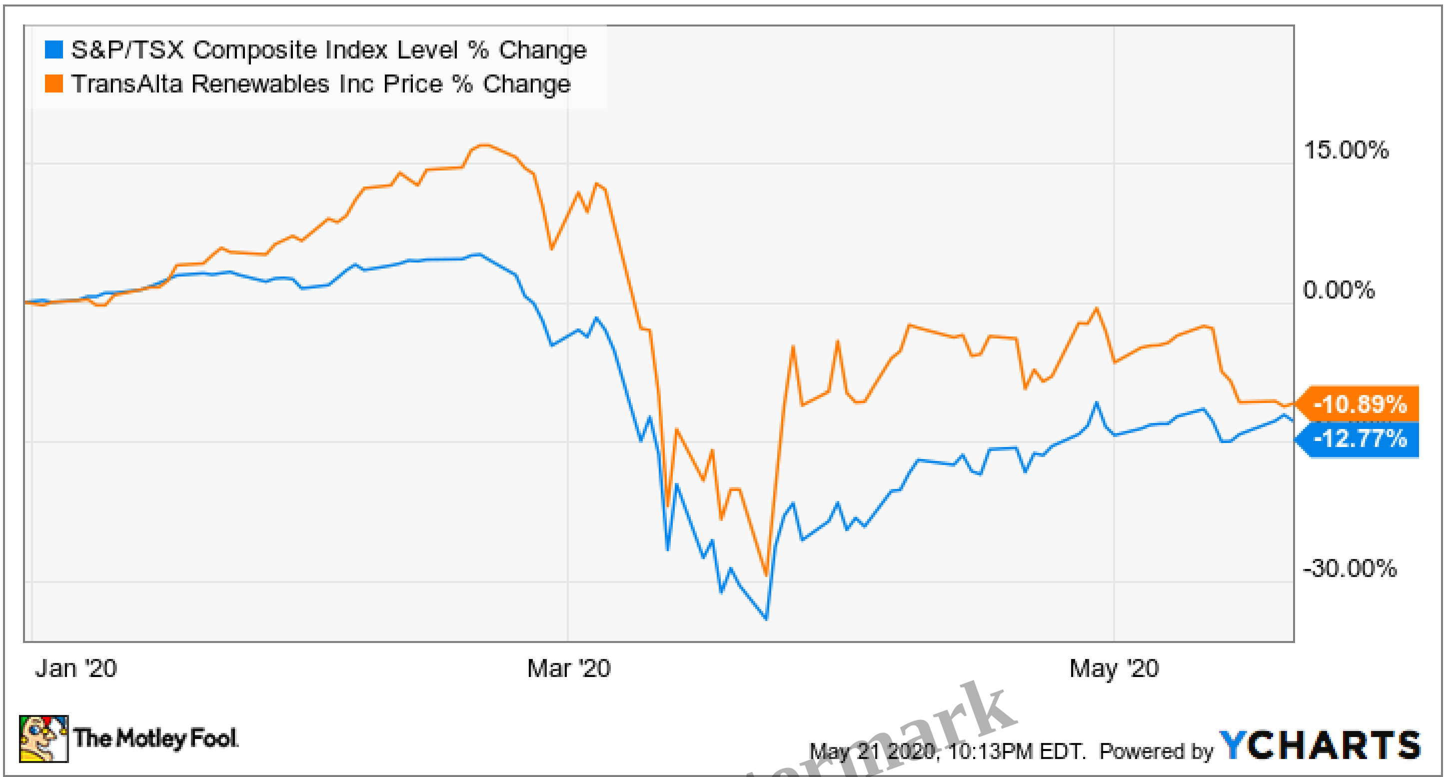
The past legal troubles may not deter you from purchasing the company's stock for the 2.2% dividend yield. Income stocks in this market are big winners on the **Toronto Stock Exchange**. Before you buy TransAlta Corporation stock, you may want to look at its publicly-traded child company, **TransAlta Renewables Inc** (TSX:RNW) – which offers a higher dividend yield.

Not only would you be investing in Canadian renewable energy, but TransAlta Renewables stock also distributes higher dividend returns to shareholders. The TSX stock issues a dividend of $0.94 per year, amounting to an annual yield of 6.85% at the current share price of $13.73.

Price performing better than the TSX market index

The TransAlta Renewables stock has only lost 10.89% of its value during the stock market turmoil this year. In comparison, the **S&P/TSX Composite Index** lost 12.77% of its value year to date.

Thus, TransAlta stock is not outperforming the index to the point where investors should worry about a downward correction. Also, this income stock is still not incriminating itself as one of the stocks that are weighing down the market index average.

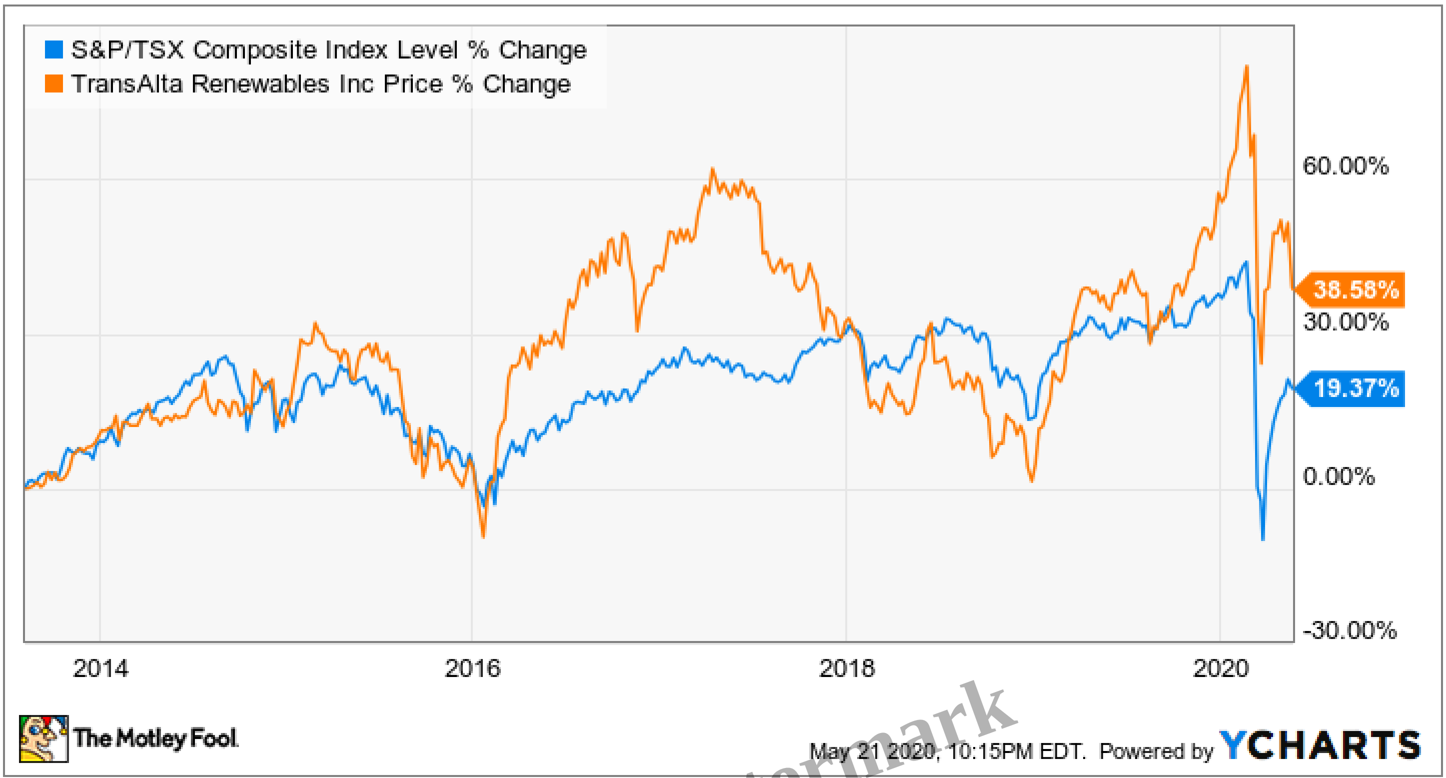


Before the March 2020 COVID-19 market crash, the stock diverged on a robust upward trend compared to the index average. During the financial meltdown, the year-to-date percentage change in the stock closely tracked the index level percentage change. Today, the stock's price percentage change rests slightly higher than the index average.

The recovery has barely begun. Time will tell if the stronger than TSX index uptrend will resume after the health crisis concludes. Therefore, every Canadian investor should at least have TransAlta stock on their watch list over the next few months.

A decent long-term TSX clean energy stock

TransAlta Renewables has performed better than the TSX index over the long term as well. If you plan to retire in the next five to 10 years, you can be reasonably sure that your initial investment is safe while earning a notable dividend yield.



Likewise, for current retirees, there may be periods where your capital gains appear weak. But buying the stock now means that you will lock in a 6.85% annual dividend yield, holding the cash distribution constant. Founded in 2013, the stock's dividend history isn't long, but the payments have been stable between $0.75 to $0.94 per share.

Shareholders rejoice at the price stability relative to the market

Current shareholders are happy with the stock's performance during the market selloff on the Toronto Stock Exchange:

> With my dividend portfolio now down 17% (ouch!), I want to celebrate my lone, stand out superstar stock: $RNW. It continues to be the lone asset in the green. I suspect that it will have sentimental value once this crisis has passed, and I will never want to sell!
>
> — Ketchup Investor (@KetchupInvestor) March 6, 2020

TransAlta Renewables stock did fall in market value in a somewhat delayed reaction to the market. Nonetheless, investors remain satisfied with the stock's ability to withstand market turbulence. Even better: they are confident in the dividend payments, despite the high payout ratio of 234.99%.

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1. TSX:RNW (TransAlta Renewables)

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