TFSA 101: How $20,000 Invested in 2 Stocks Can Pay You $1,730 Per Year!

Description

The 2020 market correction is providing TFSA investors with a great opportunity to buy industry-leading dividend stocks at very cheap prices.

In fact, yields on some stocks are now pushing levels that many investors considered impossible a mere three months ago.

Let's take a look at two stocks that appear oversold and might be interesting picks right now for a high-yield TFSA income fund.

RioCan

RioCan (TSX:REI.UN) owns shopping malls across Canada. This might sound like a terrible business today considering the negative effect on retail companies due to the pandemic lockdowns.

Daily announcements of bankruptcy filings and store closings are ramping up in the sector. Threats from online retail giants had already put many department stores and other brick-and-mortar players in a tough situation. For many, the pandemic is the straw that will ultimately break the camel's back.

RioCan will lose some tenants, and revenue is going to drop in the coming quarters. However, a quick look at the tenant portfolio suggests the sell-off in the stock might nonetheless be overdone. RioCan gets no more than 5% of revenue from any single customer, and the largest clients should be able to ride out the storm. Some provide essential products and services, while others will likely tap government aid to get through the downturn.

RioCan's mixed-use developments are proving to be popular and provide revenue diversification. The company has a strong balance sheet and recently said there is no plan to trim the payout.

RioCan trades close to $14.50 per share compared to $27.50 in February. Risk remains amid the uncertainty of the duration of the pandemic. However, most of the bad news appears built intoRioCan's share price at this point.

The distribution should be safe and investors can now pick up a yield of 9.9%.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry. The company transports roughly 25% of all oil produced in Canada and the U.S. and about 20% of the natural gas that is used in the United States. Enbridge also has natural gas utility assets and renewable energy power-generation facilities.

The company sold nearly $8 billion in non-core assets in the past couple of years. The move shored up the balance sheet and focused the business on regulated sectors. This means cash flow should be predictable and reliable.

A drop in oil volumes through the liquids pipelines network should be short-lived, and Enbridge is sticking to its 2020 guidance for distributable cash flow. The re-opening of the economy will drive a rebound in demand for fuel. This should support higher crude oil transportation between producers and refiners.

Enbridge's capital program can be funded through internal means, so no new debt or shares need to be issued to get the projects built.

The stock trades at $44 compared to $57 earlier this year. Investors who buy now can secure a 7.4% dividend yield and simply wait for the recovery to push the shares higher.

The bottom line

A $20,000 investment split evenly between RioCan and Enbridge would generate an average annual yield of 8.65% and provide $1,730 per year in tax-free income inside a TFSA.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Date
2025/09/17
Date Created
2020/05/23
Author
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