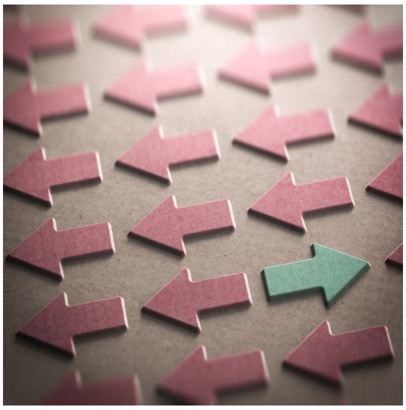

TFSA 101: These 2 Dirt-Cheap Financial Stocks Are Begging to Be Bought!

Description

While the broader **TSX Index** is staging a recovery, a majority of the financial stocks out there are still much closer to their March lows than their February highs. The financial sector is under a considerable amount of pressure, but there are bargains out there for strong-stomached contrarians who are willing to go against the grain to grow the wealth within their TFSAs.

This piece will narrow it down to two of the most compelling bargains in the Canadian financial sector for contrarian TFSA investors looking to crush the markets over the long haul.

IA Financial: A TFSA-worthy diversified insurer trading at a huge discount to book

Let's not mince words here. **IA Financial** (TSX:IAG) crashed in the vicious February-March coronavirus-induced panic, and it crashed hard.

The stock lost nearly 60% of its value in under two months. The decline was so fast that few TFSA investors could get out of the way, and while the insurance companies tend to lead the downward charge into a recession, I think the damage done to IAG stock was exaggerated.

IA makes a strong case for why it should be the preferred insurers after its latest decline. Not only is the stock ridiculously cheap at $43 and change, but the company has recovered from past crises, unlike some of its peers in the space. That's all thanks to shrewd management moves to maintain financial flexibility, even when times are good.

"Management knows that the insurance and financial services businesses can be fickle in times of economic recession, so they're just playing it safe by maintaining a higher degree of financial flexibility." I wrote in a prior piece.

Today, the stock trades at 0.8 times book, making the diversified insurer a TFSA-worthy deep-value play for those looking to get more dividend yield (4.4% at the time of writing) for less.

Bank of Montreal: A Dividend Aristocrat that rarely trades at a discount to book

Up next, we have **Bank of Montreal** (TSX:BMO)(NYSE:BMO), a Big Five Canadian bank that needs no introduction. The old-time bank has paid a dividend for nearly two centuries. Although the perfect storm of headwinds has hit it, I don't think TFSA investors should expect a bombshell announcement of a dividend reduction to be announced anytime soon.

The bank recently pulled the curtain on its second-quarter results, which were underwhelming, as expected. BMO, which has its fair share of vulnerable oil and gas loans, saw swelling provisions. While things could get much worse depending on how long this pandemic lasts, I think many folks out there are heavily discounting the possibility that Q2 may mark "peak" provisioning.

If peak provisions have been reached, BMO, I believe, has the most upside, as investor focus moves from COVID-19 damage control to EPS recovery. Yes, BMO's latest results leave a lot to be desired. Still, given the bank's strong financial footing, its severely depressed valuation, and its rich history as a Dividend Aristocrat, I'd say that the stock is a must-buy for long-term TFSA investors who want to position themselves for the next bull market.

BMO trades at 0.87 times book — the widest P/B discount of the Big Six — with a lofty (and safe) 6.3% yield. You're essentially paying for a well-established behemoth with a rock-solid dividend for the price of a low-quality regional Canadian bank with a sub-par capital ratio. That's a stellar deal for those with a five-year time horizon.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:IAG (iA Financial Corporation Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing

Date
2025/08/23
Date Created
2020/06/01
Author
joefrenette