



2 Resilient Dividend Stocks to Own for Decades in Your TFSA

Description

When looking to put funds within a Tax-Free Savings Account (TFSA) to work, TFSA investors should seek to invest in stocks that stand to provide a favourable risk/reward over the next 10, 20, even 30 years, rather than trying to maximize their upside over some short period of time.

You see, every dollar within your TFSA is worth a heck of a lot more than a dollar in a non-registered account. The power of long-term tax-free compounding is difficult to fathom, but it's profound.

To get the most out of one's TFSA, one has to *stay* invested, even when the market-wide volatility starts to become painful. It's tough to strengthen your stomach for volatility overnight when uncertainties mount. But for newer TFSA investors, there are ways to keep calm with dividend-growth stocks with generous (and safe) yields that can dampen the inevitable bumps in the road en route to retirement.

Crises happen. And there will always be something to worry about when it comes to markets.

That's why TFSA investors should seek to build a TFSA foundation that can hold its own once the next crash arrives. When looking to create a foundation, think about businesses with well-covered dividends, strong balance sheets, with operating cash flow streams that are minimally impacted by macro events.

In an era where dividend cuts are becoming normalized, it's vital for TFSA investors to gravitate towards more regulated businesses when looking to construct a foundation, so they're not left holding the bag in the event of a surprise dividend cut.

Consider **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) and **Emera** ([TSX:EMA](#)) — two resilient plays that can act as the building blocks to any investor's TFSA foundation. Both companies have reliable, growing dividends and have shares that are modestly discounted at this juncture.

TC Energy

[TC Energy](#) is one of the most resilient companies in the energy infrastructure space. It's more "utility-like" in nature relative to most of its midstream peers that are more sensitive to price fluctuations in the underlying commodities they transport.

The company has a brilliant management team that's done an exceptional job of diversifying its cash flows beyond the confines of Western Canada over the years. TC Energy is geographically diversified, with promising growth projects that will help it grow its dividend at a 8-10% rate through 2021, with high single-digit growth expected thereafter.

The near-term future of Keystone XL remains largely unknown, but at current valuations that TRP stock remains a buy regardless of what ends up happening.

The stock sports a well-covered 5.2% dividend yield (69.5% TTM payout ratio) and is looking modestly undervalued at just 2.1 times book. If you seek stability and greater certainty relative to the broader markets, I'd look to scoop up shares for your TFSA foundation today.

Emera

Up next, we have a "Steady Eddie" utility that's made moves to become more regulated in nature over the years. Emera, like TC Energy, has a well-covered dividend that's very unlikely to be subject to a surprise reduction thanks to the increasingly predictable nature of the firm's operating cash flow streams.

"The top-tier utility has made moves to improve its operating mix over the years, with a gravitation towards highly regulated operations and away from unregulated non-core operations. The result is a higher quality of earnings due to its more predictable nature." I said in a prior piece.

What you see is what you'll get with Emera. A bountiful 4.4% dividend yield that's in a spot to grow at a single-digit rate every year, regardless of what's troubling the broader markets.

The stock trades at a mere 1.56 times book and 10.5 times EV/EBITDA, both of which are lower than the stock's five-year historical average multiples of 1.8 and 12.1, respectively. If you're looking to form a TFSA foundation at a slight discount, now is as good a time as any to buy the name. Such a "bond proxy" certainly won't make you [rich](#) overnight, but it will allow you to *stay* rich and grow your wealth at an above-average rate over time.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:EMA (Emera Incorporated)

3. TSX:TRP (TC Energy Corporation)

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