TFSA Investors: 3 Rock-Solid Dividend Stocks That Are Still Cheap

Description

Many Tax-Free Savings Account (TFSA) investors are feeling bad these days after missing out on an opportunity to buy their favourite dividend stocks cheap. The stock market has come back roaring after the March 23 dip, lifting many beaten-down stocks.

Even though the market has bounced back strongly after the March lows, many dividend stocks are much cheaper than they were a year ago. Below I've selected three such stocks to add to your TFSA portfolio:

Enbridge

I'm not a fan of investing in highly volatile energy stocks, especially when I'm building my TFSA portfolio. But Canada's largest pipeline, **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) has a different appeal. It's a good defensive stock to buy when the economic headwinds are gathering pace.

The company pays a $0.73-a-share quarterly dividend with an annual dividend yield of 7%. The payout has been increasing by about 10% per year, as Enbridge undertakes its heavy development plan and benefits from its strong presence in North America.

Over the past one year, Enbridge has also accelerated its restructuring plan: selling assets, focusing on its core strengths, and paying down its debt. These measures are likely to benefit long-term investors whose aim is to earn steadily growing cash.

The stock is still a good bargain for TFSA investors after its 14% slide this year. It currently trades at $44.26 a share at writing.

BCE

For the post-pandemic world, telecom utilities make a good bet. I like telecom stocks because they have very simple business models that often produce very strong income flows for their investors.

What supports stability in their cash flows is that no matter what happens to the economy, we have to pay our internet and cellphone bills. These recurring cash flows allow these companies to keep hiking their payouts regularly.

In this space, I like **BCE Inc.** (TSX:BCE)(NYSE:BCE), Canada's largest telecom operator. The company has a massive moat that helps it to generate strong cash flows. This leading position in the industry means that TFSA investors will continue to benefit, as the company rewards its investors with higher payouts each year.

After a powerful rally since March, BCE stock has recovered much of the lost ground. But in this low interest-rate environment, BCE's 5.6% dividend yield is still quite attractive. It pays $0.8325 a share quarterly dividend, which has been growing about 5% per year during the past decade.

Bank of Montreal

Canadian banks have been a trusted source for earning a steadily growing stream of income. They are among the top dividend stocks in North America, benefiting from their balance sheet strength and their careful lending practices.

If you decide to add one of the best banking stocks from Canada for your TFSA, consider buying **Bank of Montreal** (TSX:BMO)(NYSE:BMO), Canada's fourth-largest lender.

After the current sell-off, its stock is about 23% cheaper than it was a year ago. With this weakness, its dividend yield has soared to more than 5%. BMO is one of the top dividend payers that's been growing payouts regularly, and there's a very strong possibility that the lender will continue to hike its payouts.

Trading at $77.29 at writing, BMO stock is a solid bet for your TFSA. The stock currently pays a quarterly payout of $1.06 a share.

Bottom line

If you're looking to add solid dividend stocks to your TFSA and earn passive income, stocks like Enbridge, BCE, and BMO are good choices as their yields have become more attractive this year.

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