Bargain Alert: 2 Cheap Dividend Stocks for a Self-Directed TFSA Pension

Description

The stock market pullback just gave investors another chance to buy some top-quality dividend stocks for their TFSA retirement portfolios.

Let’s take a look at two companies that appear cheap right now and might be interesting picks for both retirees seeking income and younger investors looking to build a TFSA wealth fund.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a significant player in the midstream segment of the energy infrastructure sector.

The company has grown over the past 65 years through acquisitions and internal development projects. That trend continues regardless of the near-term headwinds. Pembina survived the Great Recession and the oil crash of 2014-2016. The pandemic crisis presents a new challenge, but the company should get through the downturn in decent shape.

Management shored up the balance sheet in recent months. The company had $2.5 billion in available cash and borrowing capacity as of May 7, when the company reported Q1 results. Pembina has since raised another $500 million through a bond issue.

Roughly $1.1 billion in planned capital investments is being bumped to 2021, or later, depending on how the market recovery evolves. Pembina says a drop in commodity prices is hitting the marketing operations.

Nonetheless, the company expects overall adjusted EBITDA for 2020 to be in the previously disclosed guidance range. The core business remains highly contracted, and the monthly dividend of $0.21 per share is adequately covered by fee-based cash flows.

Investors who had the courage to buy at the March low are already sitting on 100% gains. Pembina trades at $33.30 at the time of writing. That’s well off the 2020 high above $53, so there is still decent upside potential.

Investors can get a 7.5% yield right now and simply wait for the energy sector to bounce back.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades near $57 per share and provides a 6.3% dividend yield. The stock dipped below $47 in March and traded above $74 before the crash.

Uncertainty regarding the speed of the recovery puts banks in a tough spot. They have deferred mortgage and other loan payments to help customers, but will need to collect when the payment holidays expire. Hopefully, unemployment levels in Canada will drop to a much lower level by the end of the year.

It is still early days, but the recovery appears to be in motion. Government support programs are in place to help get people and businesses through the crisis. The Bank of Canada said the economy is trending along its best-case scenario for the recession.

Bank of Nova Scotia also has a large international group with operations primarily located in Latin America. The pandemic reached that region late. Mexico, Peru, Chile, and Colombia might still be weeks away from their peak case loads, so the rebound timeline is still unknown.

Defaults are expected and investors shouldn’t hope to see a dividend hike this year. Bank of Nova Scotia significantly increased provisions for credit losses when it reported fiscal Q2 2020 results.

That said, the company entered the crisis with a strong capital position, and the dividend should be very safe. Despite the tough times, Bank of Nova Scotia still earned adjusted net income of $1.37 billion in the three months ended April 30.

The bottom line

Pembina Pipelines and Bank of Nova Scotia pay solid dividends with attractive yields. If you are searching for top dividend stocks to add to a self-directed TFSA retirement portfolio these companies deserve to be on your radar.

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