Recession: Bulletproof Your TFSA With This Dividend Stock

Description

Many pundits believe that this coronavirus-induced recession will be a short-lived one and that earnings will bounce back sharply once the pandemic passes. Others aren't ruling out a severe recession that could rival that of the Great Depression, given the unprecedented rise in unemployment that may not be as quick to recover, even with all the stimulus. The severity of this recession ultimately depends on the advent of a coronavirus vaccine.

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Recession: When will a coronavirus vaccine arrive? How sure are the pundits?

Today, there are over 135 vaccines that are under development, only two of which are in phase III clinical trials (for which large-scale efficacy tests are being conducted).

Many pundits expect a "safe and effective" vaccine to land by next year. Few things in this world are more unpredictable than biology; however, it's certainly not a terrible idea to be prepared for a worst-case scenario, where a vaccine ends up arriving later rather than sooner. Such a bear-case scenario would undoubtedly worsen this recession, and stocks could get pummeled again. However, I'm sure the U.S. Fed will step in with further action (negative interest rates, anyone?) should stocks fall off a cliff again, as they did in February and March.

So, what type of stocks should comprise the "backup-plan" portion of your TFSA portfolio if the vaccine doesn't arrive until late 2021 or 2022? Look no further than bond proxies such as **Fortis** (TSX:FTS)(NYSE:FTS). The highly regulated nature of the firm's operating cash flows makes shares relatively immune to the coronavirus crisis.

While Fortis could see its growth profile take a relatively modest hit if this pandemic were to drag on longer than expected, I view the firm's dividend (and dividend-growth trajectory) as "bulletproof" and see FTS stock exhibiting dampened downside relative to the broader market indices.

Boring is beautiful in a recession

Fortis is a boring stock, especially to younger investors who want to increase their chances of bagging a multi-bagger amid the coronavirus crisis. While the regulated utility isn't going to make you filthy rich over the near term, even if a vaccine were to land in a timely fashion, Fortis is a name that can help you *stay* rich.

What you see is what you get from the North American owner and operator of regulated utility and distribution assets: a bountiful 3.6% dividend yield alongside 5-6% in annual dividend raises.

Although it may not seem like it, Fortis is actually growing very quickly for a utility, averaging 8.7% in annual revenue growth over the past three years. The growth is thanks to Fortis's exceptional stewards who know how to grow without bearing excessive amounts of risk.

For the calibre of business that you're getting with Fortis, the stock ought to trade at a premium multiple. The highly regulated and "growthy" utility is precisely the type of business that you'd think everyone would be flocking to in an era of rock-bottom interest rates. But that's simply not the case, as shares are modestly discounted at 1.3 times book and 11.2 times EV/EBITDA, both of which are slightly below that of their mean levels.

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Foolish takeaway

Fortis isn't a play that'll make you filthy rich if you're right about the vaccine timeline. It's a sound long-term investment that'll help you grow your TFSA portfolio at an above-average rate over time, regardless of how severe this recession will be. Shares of the name will also have your back if Mr. Market were to pull the rug from underneath investors again, like in late February.

Everybody needs a backup plan for their TFSA portfolio in case things go sour, and Fortis stock is a top pick for those seeking such amid these unprecedented uncertainties.

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