Got $2,000? Buy This Dividend Stock to Stabilize Your TFSA Income Fund

Description

As the coronavirus disease 2019 (COVID-19) continues to wreak havoc on the world, investors should seek to batten down the hatches with at least a portion of their Tax-Free Savings Account (TFSA) portfolios, so they're not put in a spot to take on the brunt of the damage should this pandemic worsen.

Sure, resilient dividend stocks won't make you rich over the near-term, but they will allow you to *stay* relatively wealthy should Mr. Market decide to pull the rug from underneath investors again.

Investing is all about tilting the risk/reward in your favour, not about trying to maximize your upside with little consideration for the risks taken on.

If you're not one to speculate and would be content with making an above-average rate of return over a prolonged period, now is as good a time as any to put your extra $2,000 in a name like **Hydro One** (TSX:H), one of the steadiest defensive dividend stocks on the entire **TSX Index**.

A solid dividend

Shares of Hydro One sport a pretty average 4% dividend yield at the time of writing. While there are many other much higher-yielding securities out there that are still worthy of your investment dollars, it's tough to match Hydro One's stability.

When you consider the worst-case scenario with this pandemic, it becomes more apparent that Hydro One's dividend is worth its weight in gold.

The company essentially has a monopoly over Ontario's transmission lines. If this coronavirus crisis evolves into a depression (I don't think it will, given the Fed's unprecedented backing, but it's still worth considering), Hydro One's operating cash flow streams will still hold far stronger than most other businesses out there.

A high degree of operational regulation leaves little to no room for surprises (to the downside or upside), and while a lack of surprise is a good trait in the face of a recession (or depression), it leaves a lot to be desired on the growth front when the economy is in expansionary mode.

A worthy all-weather addition to any TFSA that's lacking on the defensive front

If you're looking to invest for all seasons, though, Hydro One is a great way to grow your TFSA wealth at an above-average rate. The firm's capital investment plan could grow earnings at a low-to-mid-single-digit rate — not bad for a stalwart with a monopolistic advantage.

As expected, the coronavirus crisis has had a minimal impact on Hydro One's first-quarter results. Management is looking to reduce costs in response to modest coronavirus-induced revenue pressures. While government-mandated shutdowns caused by the coronavirus has the potential to slow capital investment, Hydro One is one of few firms that could see its top-line in the green as most other firms see their revenue growth numbers fall deep into the red.

Foolish takeaway

Moving forward, investors should expect low-to-mid single-digit growth from Hydro One, as the firm dodges a majority of the punches thrown its way by Mr. Market for the duration of this pandemic.

Hydro One stock currently trades at 13.3 times EV/EBITDA, 7.5 times cash flow, and 1.6 times book, all of which are pretty much in-line with that of historical averages.

While Hydro One isn't the cheapest stock in the world, as uncertainties continue to mount, one has to think that the price of admission to such a resilient defensive dividend stock will be due for a jump.

If you're one of many TFSA investors who's keen on taking a bit of risk off the table following the unprecedented relief rally, Hydro One may be a name to rotate into, especially if you seek a resilient source of investment income.

A 4% dividend yield that'll grow at a low-to-mid single-digit rate is what you're getting from the name — no more, no less.

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