



## TFSA Investors: Build a Dividend Portfolio That's Impossible to Fail

### Description

Dividend investing helps to build long-term wealth, as investors can benefit from recurring cash flows as well as capital appreciation. At a time when interest rates are near record lows, quality dividend stocks help you generate a stable revenue stream. Further, the ongoing market volatility due to COVID-19 has meant that you can buy blue-chip companies at lower valuations. However, dividend investing comes with certain risks.

In case of a recession or during economic slowdowns, companies might suspend or cut their dividends to maintain liquidity. In the recent past, we have seen companies such as **Suncor** cut dividends by 55%. Similarly, giants such as **Disney** and **Boeing** suspended their dividends, and **Wells Fargo** has reduced its dividend by 80%.

Another reason to be wary of dividend stocks is capital depreciation. Stocks such as Suncor have lost 60% in market value in the last two years. Another Canadian stock that pays a monthly dividend with a forward yield of 11.5% is **Chemtrade Logistics**. This stock has lost close to 73% in market value in the last five years.

So, how do you identify stocks that can create investor value? In these uncertain times, you need to bet on companies that have a huge market presence, stable and predictable cash flows, and a strong balance sheet.

### Top dividend stocks for your TFSA

The Tax-Free Savings Account (TFSA) is a Canadian registered account and one that is fast gaining popularity. This account is ideal to hold dividend stocks, as any withdrawals in the form of capital gains or dividends are exempt from CRA taxes.

The TFSA was introduced back in 2009, and the maximum cumulative contribution room for this account is \$69,500. So, where do you allocate this capital in a market that is volatile amid an uncertain market environment?

As stated above, you'll want to buy dividend stocks that earn consistent profits through economic cycles. Identify quality stocks in sectors such as utility, banking, energy pipeline, and residential REITs and diversify your portfolio.

We'll take a look at one of Canada's top-performing companies. **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) has a dividend yield of a tasty 5.3%. TC Energy is a North American energy infrastructure giant with over \$100 billion in assets.

Shares of TC Energy are trading at \$61.23, which is 20% below its 52-week high. The ongoing weakness in crude oil prices has hurt TC Energy stock prices, but the company continues to generate robust cash flows. Its contract-based business model ensures a steady stream of recurring revenue, which has helped it maintain dividends.

Its investment-grade credit rating and financial flexibility coupled with a focus on expansion projects has meant the company expects to [increase dividends between](#) 8% and 10% in 2021 and at an annual rate of 7% post-2021.

TC Energy has increased dividends at an annual rate of 7% in the last 20 years. In the last 10 years, TC Energy stock has also returned 4.4% annually, making it [one of the top picks](#) for dividend investors.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

## PARTNER-FEEDS

1. Business Insider
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