TFSA Investors: 3 Canadian Dividend Stocks to Hold Forever

Description

Canadian dividend stocks are some of the best in the world. The largest corporations in this country are cash-rich and relatively stable, rendering them ideal targets for investors seeking passive income.

However, with investors crowding into the top Canadian dividend stocks, most of them are overvalued and offer little yield. With that in mind, here are the top three Canadian dividend stocks that are still undervalued.

Enbridge

Natural gas and pipeline giant **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) is both beaten down and relatively attractive. Energy companies have faced severe headwinds this year as consumption dipped. However, Enbridge's business is more focused on infrastructure, which entails a longer time horizon.

As the largest pipeline company on the continent, Enbridge has an unparalleled competitive advantage. The company's free cash flows have been steadily expanding alongside its operations and infrastructure. However, the stock price has been gradually drifting lower, pushing the dividend yield up to 7.27%.

Warren Buffett's US$10 billion bet on a natural gas pipeline rival is yet another green flag for investors in this industry. Enbridge's track record of dividends and Buffett's recent vote of confidence should put this undervalued Canadian dividend stock on your radar.

BCE

Wireless communications are absolutely essential services. Families across the country already relied heavily on digital connectivity before the pandemic. Now, with everyone confined to their homes, this service has become a critical utility with nearly infinite demand.

BCE Inc. (TSXBCE)(NYSE:BCE), the largest telecommunications firm in the country, has a solid grip on the market. With more market share than any of its rivals, BCE can easily fund expansion and reinvestment over the next decade and still have plenty of cash leftover to reward shareholders.

The stock currently offers an attractive 5.9% dividend yield. The payout ratio is 97%, which means the team can afford to sustain this dividend for the foreseeable future. Meanwhile, the stock is trading at a price-to-earnings ratio of just 17. It's probably one of the most reliable and underpriced Canadian dividend stock on the market today.

Brookfield Properties

Brookfield Property Partners (TSX:BPY.UN)(NYSE:BPY) is, perhaps, the riskiest stock on this list. The real estate investment trust (REITs) owns and operates commercial properties across the world. These properties have been at the epicenter of the ongoing crisis.

However, Brookfield is backstopped by one of the largest asset managers in the world. The company's scale and the portfolio's diversity make this one of the most stable REITs on the market.

However, negative sentiments and a risk aversion in the industry have pushed the stock price to a record low. Brookfield's stock now trades at half the value of its book value per share. Meanwhile, the dividend yield is a jaw-dropping 11.45%.

In other words, Brookfield's underlying properties could lose some value and the company could be compelled to cut its dividend, but the stock has already priced those risks in. It's so underpriced that even the worst-case scenario doesn't justify its current level.

Contrarian investors who understand the risks should certainly have this Canadian dividend stock on their radar.

CATEGORY

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1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:BPY.UN (Brookfield Property Partners)
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