3 Top TSX Stocks for Greater TFSA Stability

Description

Tax-Free Savings Account (TFSA) is one of the most flexible investment options Canadians have. The following three top **TSX** stocks will give greater stability to your TFSA, along with stable dividends and decent growth in the long term.

Royal Bank of Canada

Canadian bank stocks are some of the high-quality investments in the Canadian broader markets. But one of them notably stands out is the **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

Royal bank's credit portfolio is one of the best among peers that will likely weather the crisis faster. The bank's exposure to the most susceptible businesses amid the pandemic stands at just 7%. This contains highly volatile energy markets as well as the hardest-hit retail sector.

This will ensure a relatively lower loss due to loan defaults in the next few quarters, particularly due to the pandemic.

Royal Bank generates one of the highest profit margins among peers. Higher deposit growth and diversified earnings base will likely support a faster recovery than its peers.

Royal Bank yields nearly 5% and has grown its dividends by 8% in the last five years. Interestingly, its dividend growth for the next few years looks unscathed, mainly driven by its strong balance sheet and stable earnings.

Even if Royal Bank faces a near-term weakness driven by the pandemic, it is a solid investment for the long-term because of its dividend stability.

AltaGas

When it comes to dividends, stability is more important than yield and growth. A power and utility company **AltaGas** (TSX:ALA) addresses this concern. It yields 5.5% at the moment, notably higher than TSX stocks at large and pays monthly dividends.

Its non-cyclical nature of the business delivers secure earnings, even during economic downturns, rendering it a safe stock for long-term investors. That's why they generally outperform during depressed times.

It released second-quarter earnings last week. AltaGas reported a net income of $17 million in Q2 2020 from a loss in the same quarter last year.

AltaGas stock is currently trading 25% lower than its pre-pandemic levels. The discounted valuation in an expensive broader market makes it an apt bet right now. Its superior yield and above-average earnings stability will likely outperform broader markets in the long-term.

Hydro One

Utilities are some of the safest investments among equities. Toronto, Ontario-based **Hydro One** (TSX:H) offers an additional layer of safety than peers. It is not occupied in power generation and works as a transmission and a distribution company.

This avoids a big upfront capital investment, which makes its balance sheet comparatively lighter, ultimately a safe bet for investors.

Hydro One stock yields 4%, higher than that of Canadian broader markets. Utilities normally generate stable earnings and thus pay steady dividends. That means an investment of $10,000 in Hydro One stock would make $400 in dividends every year.

Notably, Hydro One intends to increase its dividends by 5% per year for the foreseeable future.

Defensive stocks such as Hydro One generally exhibit faster recovery amid broad market uncertainties. It has soared almost 50% in the last four months, beating top TSX stocks at large.

Interestingly, despite this rally, Hydro One stock does not look overvalued and could continue to climb higher.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:H (Hydro One Limited)
4. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Stocks for Beginners

Date
2025/07/06
Date Created
2020/08/06
Author
vinitkularni20