TFSA Passive Income: 2 Tops Stocks Yielding 7% I'd Buy Today

Description

The stock market recovery off the March crash continues to bring portfolios back to their 2020 highs. The rally caught most investors by surprise and many people sat on the sidelines over the past four months.

Fortunately, Tax-Free Savings Account (TFSA) income investors who missed the surge still have a chance to buy some top-quality dividend stocks at attractive prices.

Let's take a look at two high-yield stocks that might be interesting picks right now for a TFSA portfolio.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) trades near $35 per share right now and provides a 7.1% dividend yield. The stock started the year around $47 and climbed as high as $53 in February. Energy stocks took a big hit in recent months due to the pandemic. Energy infrastructure players also got hammered.

Pembina has a 65-year track record of delivering steady growth through acquisitions and organic capital projects. Over the years the asset base expanded to the point where Pembina generates revenue across a wide swath of business lines.

The pipelines transport oil, gas liquids and natural gas produced in Western Canada. The pipeline network serves a core role in Canada's oil and gas sector moving product from the producers to their customers.

In addition, Pembina owns gas-gathering and procession facilities, as well as a logistics business. Diversified operations provide Pembina with a strategic advantage, as the company can offer clients midstream and marketing services across the hydrocarbon value chain.

Investment in future opportunities is key to driving revenue growth. Pembina Pipeline's development portfolio includes pipeline expansions and the proposed Jordan Cove LNG project.

The company shored up the balance sheet in recent months. Pembina finished Q2 2020 with $3 billion in cash and available credit facilities.

With a market capitalization of roughly $20 billion and manageable debt, Pembina Pipeline has the flexibility to make strategic acquisitions.

Earnings dipped in Q2 compared to last year, but adjusted cash flow from operating activities actually rose 7%.

The dividend should be safe and is paid monthly. This is attractive for income investors who prefer to get a steady payout stream.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure space. The current market capitalization above $90 billion makes Enbridge one of Canada's largest companies.

Enbridge focused most of its energy in the past couple of years on streamlining its business. Management monetized about $8 billion in non-core assets. The remaining business units primarily operate in regulated segments.

The balance sheet remains in good shape and Enbridge's utility and renewable energy assets help offset the recent slowdown in throughput on the oil pipelines.

Management reaffirmed the 2020 distributable cash flow (DCF) guidance when Q2 results came out. The reopening of the economy in the U.S. in Canada should see fuel demand recover meaningfully in the second half of the year.

As a result, crude oil volumes moving from producers to refineries are expected to increase.

Consolidation in the energy infrastructure industry is expected to continue in the coming years. Enbridge is a powerhouse in the sector and can drive growth through strategic purchases.

The stock trades close to $45 per share at the time of writing and provides a 7.2% dividend yield. Enbridge traded above $57 in February, so there is decent upside as the economy recovers.

The bottom line

Pembina Pipeline and Enbridge still appear oversold today and pay above-average dividends that should be safe through the pandemic and continue to grow in the coming years.

If you have some cash sitting on the sidelines these stocks deserve to be on your radar for a TFSA dividend portfolio.

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aswalker