3 Recession-Proof Dividend Stocks Yielding Over 4.5% for Your TFSA

Description

Utility stocks are one of the safest defensive bets during volatile market conditions to park your money. As talks of a second wave of the pandemic continue to grow, it wouldn't hurt to invest in defensive stocks with proven track records. These stocks are generally recession-proof; if you believe that market volatility is here to stay, these stocks are for you.

Emera Inc is a diversified utility company with investments and operations throughout North America and four Caribbean countries. With 90% of its electric utilities revenue consisting of regulated assets, it should have no problem maintaining its 4.57% dividend payout.

Emera has a low beta of 0.21 and the stock isn't a volatile one. When the markets crashed in March, Emera stock fell less than 20% and it has already recovered to less than 10% of its pre-pandemic level. Year-to-date operating cash flow for Emera increased to $816 million for the six months ended June 30, 2020, compared to $775 million last year.

A Dividend Aristocrat

Canadian Utilities (TSX:CU) is a great defensive to buy and hold in your Tax-Free Savings Account (TFSA) portfolio. With a beta of 0.55, you can count on it to protect your portfolio while paying you a great dividend of 5.23%. Roughly 95% of the company's revenue comes from rate-regulated assets, which means its cash flow and ability to pay out dividends are not going to be threatened.

Canadian Utilities President and CEO Siegfried Kiefer put it best on the earnings call when he said that the COVID-19 pandemic, oil price decline and slowing global economic activity "..did not have a material impact on Canadian Utilities' adjusted earnings in the first-half of 2020."

The second quarter of 2020 saw the launch of LUMA Energy, 50% owned by Canadian Utilities, and 50% by Quanta Services to "…modernize and operate Puerto Rico's electric transmission and distribution system over a term of 15 years."

A 4.5% yielding utility player

Algonquin Power and Utilities (TSX:AQN)(NYSE:AQN) is a utilities company that's travelling down the renewables road in a big way. It has 1,600 MW of projects in the renewable space under construction and that continued through the lockdown.

AS the company provides essential services, the pandemic didn't hit it too badly. In fact, its second-quarter results were impacted by just $0.01 per share.

Algonquin started implementing a new cost structure as a response to lower customer demand during the pandemic and the company achieved around $5 million in cost savings. It is expected to achieve savings of approximately $10 million in the second half of the year.

With a market cap of $11 billion, Algonquin has come a long way from the $200 million market cap it had in 2008. Apart from North America, the company also has investments across the world and a diversified portfolio will help the company sustain its 4.5% dividend payout.

The Foolish takeaway

All three stocks are trading at around 10% lower than their pre-pandemic highs. If the economic situation continues to improve these companies will see their stock prices go up, giving investors a double reward of capital appreciation and dividend payouts.

In case you invest $10,000 in each of these three stocks and hold them in your TFSA, you can generate $1,428 in annual dividend payouts and these payments will be exempt from CRA taxes.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:CU (Canadian Utilities Limited)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/25
Date Created
2020/08/24
Author
araghunath