Got $5,000? Add These 2 Cheap Dividend Stocks to Your TFSA to Boost Your Tax-Free Income

Description

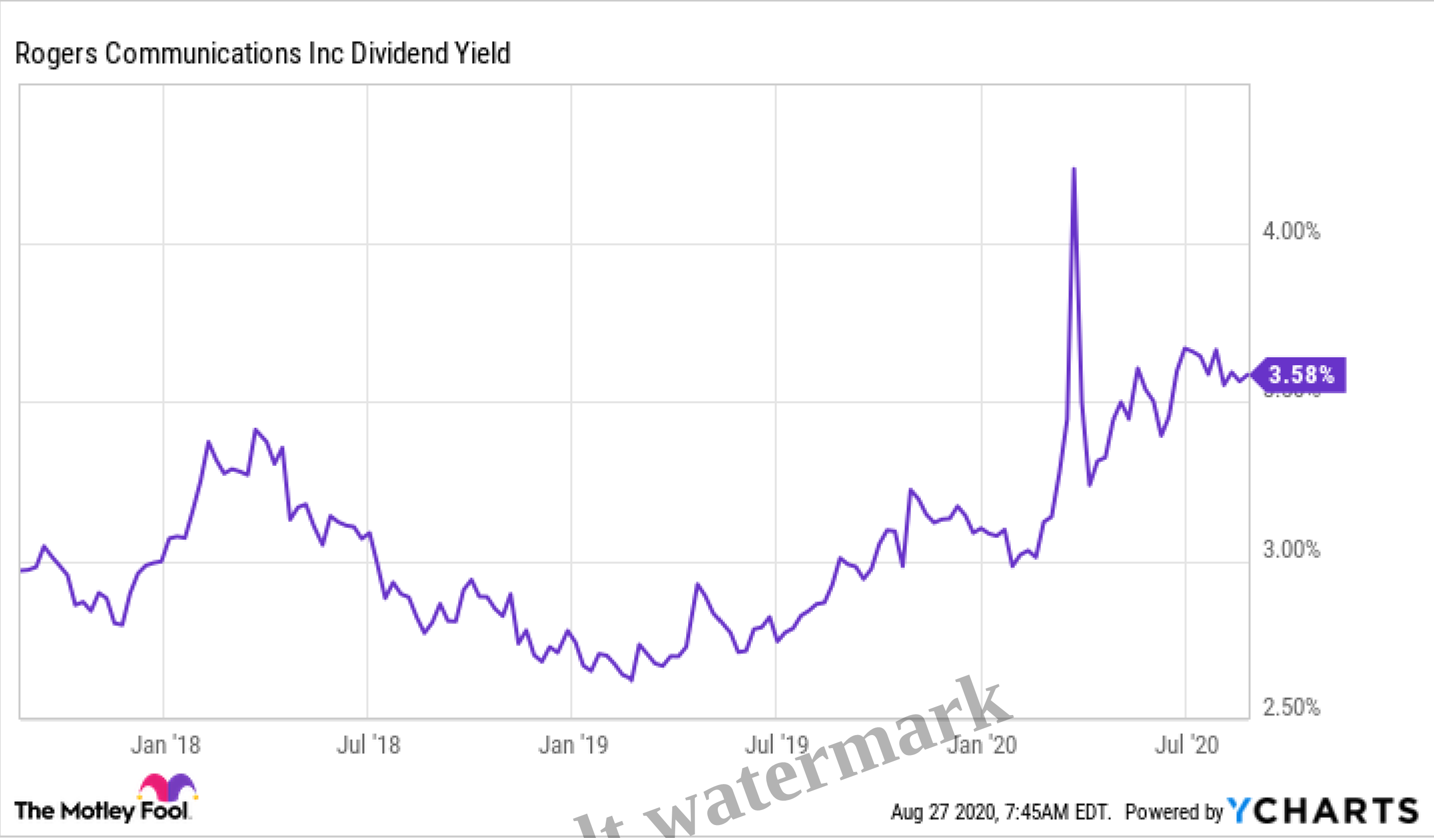
If you have $5,000 available to invest in right now, there are a couple of great bargains out there that can make for some solid long-term investments for your portfolio. These are safe dividend stocks you can tuck away into your Tax-Free Savings Account (TFSA) and hold there for years or even decades.

Rogers

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is one of Canada's top telecom companies, but that, along with a low valuation, hasn't been enough to get investors buying up this safe stock. However, that can be a good thing for Foolish investors that are out bargain hunting. Today, Rogers stock trades at only 14 times its earnings and a multiple of 2.8 times its book value. Its share price is down more than 13% year to date, well below the 2% decline the TSX has been on thus far.

The company's business felt the effects of COVID-19 in its most recent quarterly results where store closures and travel restrictions impacted sales numbers. Media revenue also suffered with sports shut down during the period ending June 30. Sales were down a total of 17% and net income was cut in half, falling from $591 million a year ago to just $279 million. But the silver lining is that even during such a challenging quarter, Rogers still posted a profit and its business remains strong, especially now as restrictions are easing.

With Rogers stock trading at a reduced price, now can also be a great time to secure a better-than-normal dividend yield. The company's quarterly payments of $0.5 are yielding 3.6% annually. And this is a deal, as normally the dividend doesn't look this good for Rogers:



Unless you bought during the March market crash, you wouldn't have been able to lock in a higher yield for Rogers in recent years.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) is another stable dividend stock that you can add to your TFSA today. It's trading at similar multiples as Rogers, with its price-to-earnings ratio at 14 and its price-to-book multiple at a little over two. These are great numbers for value investors that make the stock an appealing buy, even though Algonquin's stock hasn't crashed heavily this year, falling just 1% so far in 2020.

But it's also a utility company, and so it's typically much more stable than your average stock will be. It's not nearly as volatile as the markets are in general, and that's one of the reasons it makes for a solid, long-term investment to hang on to. When Algonquin released its second-quarter results on August 13 for the period ending June 30, its sales of $343.6 million were a mirror image of what they were a year ago, showing no change.

That's great to see if you're an income investor, because it shows stability during a period where many businesses are struggling amid the COVID-19 pandemic. Stability is a great feature to go along with an investment that pays a good yield. Today, the stock pays 4.5% annually in dividends and can generate even more income for you than Rogers stock will.

Bottom line

Investing in both Rogers and Algonquin can generate some solid, recurring income for your TFSA while also diversifying your holdings and adding some much-needed stability. If you’ve got $5,000 to invest, consider splitting it up into two equal investments and buy shares of both companies.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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