TFSA Investors: 2 Safe Dividend Payers Yielding Up to 6.6%

Description

Not all investors agree with Warren Buffett's investment style. But two of his lessons: Investing in good businesses and holding good businesses long-term, almost all investors should take to heart. The reason is that it nudges investors to see the bigger picture and to see beyond usual market fluctuations.

And even though market crashes are different from typical "fluctuations," the wisdom of Buffett still holds. A market crash may cut your portfolio's value down significantly and irreversibly. But if you use the crash to invest in good businesses, you can offset any losses.

The two major ways to benefit from a crash are by leveraging the fast recovery of stocks for capital growth and buying exceptional dividend stocks when they are offering unusually high yields. A crash also stress-tests a company's ability to sustain its dividends when its income is suffering.

If you want a couple of high-yield dividend stocks, with payouts that are relatively safer, you might want to consider **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Power Corporation of Canada** (TSX:POW).

An aristocratic bank

Bank of Nova Scotia is currently the worst banking stock out of the Big Five when it comes to recovery and capital growth. But if you are craving a high yield, than it's the bank to choose. The share price is still over 25.7% down from its pre-pandemic high, pushing the yield up to 6.6%. So if you are only allocating $10,000 in your Tax-Free Savings Account (TFSA) to this stock, you can get $55 a month in dividends.

The dividends are also safe. While the payout ratio 64% is a bit higher than the Big Five usually maintain, it's still not in the danger of being cut. The stock is undervalued. The net income is slipped for the second consecutive quarter. The third quarter might be a bit better, and that might be what finally helps the stock rally and recover.

A financial aristocrat

Power Corporation of Canada also offers a juicy yield of 6.6%. Its payout ratio of 79% is higher than the bank, but it's still in the safe territory. The stock is also on a path to recovery, and even if it isn't moving too quickly, the yield might not stay that high for a very long time. The stock has already grown about 50% from its March value.

The company has a strong enough balance sheet and its net income increased in the second quarter of the year. It's an international management and holding company with a sizeable global footprint, and it focuses primarily on financial services.

The company claims to have a prudent approach to the selection of new assets. It wasn't a compelling growth stock even before the pandemic, and even now, its chief selling points are its safe dividends and high yield. $10,000 in the company can give you about $660 a year in dividends.

Foolish takeaway

Even if the companies don't raise their dividends, they will pay back your capital in about 15 years with just payouts. If they also manage to grow their value in that time, you will enjoy a bit of capital appreciation. If you don't need the money now, you can opt for a dividend reinvestment plan, ensuring that you would be receiving a higher payout when you *do* start taking dividends out of your TFSA.

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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CPX (Capital Power Corporation)

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