TFSA Investors: 2 Top Dividend Stocks Buffett Would Love That Pay More Than 5%

Description

The markets are coming off a tough September with the TSX falling 2%, and year to date it's now down 5%. But a decline in price is not a bad thing if you're a value investor looking for a solid dividend stock to put into your Tax-Free Savings Account (TFSA). The two stocks listed below are attractive buys that even Warren Buffett would likely consider putting in his portfolio.

Canadian Utilities

Canadian Utilities (TSX:CU) is a great buy for many reasons. Buffett loves consistency from his investments, and that's one thing Canadian Utilities offers lots of. It's increased its dividend payments for 48 years in a row, the longest streak on the TSX today. If you want dividend growth, then you won't find a better, more consistent dividend-growth stock than Canadian Utilities.

It's an appealing dividend stock for value investors like Buffett, because it pays a quarterly dividend of $0.4354, which means you'll be earning 5.5% annually. That's a great yield to go on top of that consistency. If you hold on to this stock for years, you'll be making even more on your initial investment, as the company is a safe bet to continue growing its dividend payments.

In order to be a good dividend stock, a company also needs to have strong financials. That's another checkmark for Canadian Utilities, which has posted a profit in each of its last eight quarters, and seven of those times it netted a profit margin of more than 14%. With $20 billion in assets and serving more than two million customers around the globe, this is a diversified company that's able to deliver strong results on a continuous basis.

With lots of recurring revenue in the utility business, Canadian Utilities is one of the safer dividend stocks you can hold in your TFSA. It can be a pillar for your portfolio for not just years but decades.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is another solid investment that is a great buy today. Buffett loves banks, and that's why it's not hard to see why TD would be an easy fit for his portfolio. With branches in Canada and the U.S., although it's a Canadian-based company, it's a more balanced investment than some of its peers are, as it gives investors the opportunity to benefit from strong economies on both sides of the border.

It doesn't have the dividend streak going that Canadian Utilities has but TD does pay a solid yield of 5.1% that investors can expect will continue to rise over the years. And while both stocks are cheap, TD trades at just 12 times its earnings versus 14 for Canadian Utilities. Generally, anything below 15 is usually good for value investors.

With bank stocks struggling this year (TD's shares are down 15% year to date), now could be an ideal time to load up on them while they're cheap. Once the economy recovers and TD's stock starts to rally, it'll be too late, and you'll be lucky to catch this stock at such a low price again.

The bank stock is a bargain buy and would look great alongside Canadian Utilities in your TFSA.

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1. Dividend Stocks
2. Investing

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2. TSX:CU (Canadian Utilities Limited)
3. TSX:TD (The Toronto-Dominion Bank)

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