Q4 Investing Alert: A Top TFSA Income Stock to Buy Ahead of the U.S. Election

Description

Investors with a bit of cash to invest in their TFSA income portfolios want to know where they can get good value and minimize risk heading into 2021.

U.S. election risk for stocks

The U.S. election is just around the corner, and markets appear to be oddly at ease right now given the potential for turbulence. A decisive victory by either candidate would likely result in positive momentum for the markets through the end of the year. However, the prospect of a close race carries risk.

Mail-in balloting is causing some friction. The number of votes that will be sent in by mail will hit a record level in this U.S. election. People are afraid of COVID-19 and prefer to avoid heading to the polls in person to cast their votes. President Trump claims the mail-in process favours the Democrats. He suggests fraud is involved. He has indicated he might contest the results if he loses. This could lead to court challenges across the country and delay the official outcome of the election.

In a press conference in late September, President Trump refused to say if he would allow for a smooth transition of power in the event he doesn't get re-elected. This is unlikely, as the president would have to follow the rules that are in place. The larger concern, however, according to some analysts, is the potential for civil unrest in the event the president loses.

Stock markets don't react well to uncertainty. Any indication there could be a messy power struggle after the election, or widespread protests, could send share prices plunging. When the Bush/Gore election resulted in recounts, the stock market fell for weeks before finally stabilizing.

Given the uncertainty, it makes sense to take a more conservative approach right now with dividend picks for a TFSA income portfolio.

Best TFSA income stocks to buy to ride out volatile markets

Companies that have strong businesses and provide essential services should be high on the list.

Reliable and growing dividends are important. In the event the market tanks, you get paid well to ride out the volatility. Lower share prices also provide an opportunity to use the distributions to buy more stock at a discount.

Let's take a look at **BCE** (TSX:BCE)(NYSE:BCE) to see why it might be an interesting pick.

BCE is Canada's largest communications company. All of its business is in Canada, including its country-wide wireless and wireline networks. The stock might move along with a broad-based market dip or increase due to the U.S. election result, but the overall operations are not going to see a direct impact.

BCE's share price looks cheap right now near $55. Investors who buy at this level can pick up a solid 6% dividend yield. The shares traded as high as $65 in the past 12 months, so there is decent upside opportunity when the economy improves and the media group gets back on its feet in 2021.

The bottom line

The next two months could bring new turbulence in the equity markets. If you want to put some cash to work in your TFSA income fund, BCE deserves to be on your radar today.

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