Got $6,000 in TFSA Funds to Invest? 2 Cheap Dividend Kings to Buy Right Now

Description

If you've yet to invest your $6,000 TFSA contribution, there are plenty of value opportunities to put it to work, most notably with some of Canada's Dividend Kings that are still looking cheap after slogging through this brutal year.

COVID-19 vaccines are ready to be rolled out, but it's likely to be a very bumpy road to recovery. As such, investors should stick with good, old-fashioned value, with Dividend Kings, rather than chasing the names that could grant you the most upside in the year ahead.

Without further ado, consider **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Enbridge** (TSX:ENB)(NYSE:ENB), two terrific dividend heavyweights that I think grants TFSA passive-income investors a shot at locking in a swollen dividend yield alongside potentially outsized gains over the next 18 months.

Bank of Nova Scotia: A bruised bank that's staging a comeback

Bank of Nova Scotia (or Scotiabank for short) is a Big Six bank that had been under a considerable amount of pressure, well before the COVID-19 pandemic or the 2019 weakness in Canadian credit sent bank stocks into a tailspin. The Big Six dividend king that TFSA investors know as Canada's most international bank had its fair share of growth concerns going into the crisis. The pandemic was salt in the wounds of a bank that would have been on a solid recovery trajectory.

While Scotiabank stock has already begun to stage a rebound, I think there's still ample upside left in the new year. Credit costs are showing signs of slowing down thanks to capital markets strength. As the heavily discounted emerging markets climb out of their funk, Bank of Nova Scotia will be back to growing its earnings, potentially at a higher rate than its domestically focused peers that lack an international outlet.

International banking is riskier, especially in this crisis. But with the pandemic's end in sight, I think Scotiabank's international business will be seen in a positive light once again.

In the meantime, TFSA investors can collect the well-covered dividend that's currently yielding 5.4%.

With shares trading at 12.8 times trailing earnings, I find Scotiabank stock to have a favourable risk/reward, given next year's more compelling macro environment.

Enbridge: A top pick for TFSA passive-income investors

Enbridge used to be a market darling that allowed TFSA investors to have their cake and eat it, too, with a handsome dividend payout and above-average capital gains. Fast forward to today, the stock is under pressure, and the dividend payout has become stretched. Given the shareholder-friendly nature of management (I actually think they may be *too* shareholder friendly), I don't suspect Enbridge's dividend will be stretched to its breaking point. But the stock could be in for a continued roller-coaster ride, as one can expect the firm to continue to run into regulatory hurdles with its forward-looking projects.

Just last week, Enbridge was upgraded by RBC Capital Markets, praising the firm for "preserving financial strength," its quality dividend, and future growth prospects. RBC also thinks that M&A, deleveraging, or share repurchases could be in the cards. I think Enbridge could serve up investors with another generous dividend hike as it looks to move things along with its Line 3 Replacement project.

With a juicy 7.6% yield and a mere 1.5 price-to-book (P/B) multiple, I'd say Enbridge is one of the cheapest ways for TFSA passive-income investors to give themselves a fat raise.

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