TFSA Investors: 2 Oversold Stocks to Buy Now and Hold Forever

Description

The stock market rally off the March market crash wiped out most of the good deals this year, but TFSA investors can still find cheap stocks to buy for their portfolios.

Why BCE stock is a buy for TFSA dividend investors now

BCE (TSX:BCE)(NYSE:BCE) enjoys a wide competitive moat, which makes it an attractive buy-and-hold picks for a TFSA income portfolio.

Canadians often complain that they pay too much for communications services. Fees are certainly high by international standards. BCE and its peers say the high fees are required to ensure the vast network infrastructure spanning the country remains world-class.

They might have a point. Canada is a large country, but its population is roughly the same as greater Tokyo. As such, the investments needed to provide Canadians with the same services as the inhabitants of a single Japanese city are much higher.

The rate debate will definitely linger. Buying BCE stock might be the best option for BCE customers.

BCE produces solid profits and has the power to raise rates when it needs more money. This is good news for investors who rely on the steady and generous dividends. Low interest rates are expected to remain in place for several years. That reduces BCE's borrowing costs to fund capital projects. The result should be more cash available for distributions.

BCE stock trades near $55 per share at the time of writing and provides a 6% dividend yield. The 12-month high on the stock is $65, so investors should see some decent upside once the pandemic ends and the economy gets back on track.

BCE is an attractive pick for TFSA investors who want to own stocks that offer above-average yields while maintaining limited exposure to potential chaos in global financial markets.

Should Fortis stock be on your TFSA buy list today?

Fortis (TSX:FTS)(NYSE:FTS) is another top dividend stock to consider in the era of ultra-low interest rates. Conservative income investors who would normally stick their saving in GICs can't get enough yield right now. As a result, reliable utility stocks, such as Fortis, represent the next-best option.

Fortis gets most of its revenue from regulated assets. These are businesses such as power generation, electricity transmission, and natural gas distribution. People need to turn on the lights, heat their homes and cook food in all economic situations. As such, Fortis is relatively recession-resistant. This makes it an attractive pick for TFSA dividend investors.

Fortis is working on $19.6 billion in capital projects to grow the rate base over the next five years. The company says the added revenue and cash flow will support average dividend increases of 6% per year through 2025. That's great guidance in the current economic environment.

Fortis raised the dividend in each of the past 47 years, so the distribution growth projections should be reliable.

The stock trades near $52.50 per share compared to a 12-month high around $59. TFSA investors who buy now can get a respectable 3.6% yield with decent dividend hikes on the way.

Long-term holders of Fortis stock have enjoyed great returns. A $10,000 investment in Fortis 25 years ago would be worth $200,000 today with the dividends reinvested.

The bottom line

BCE and Fortis appear cheap right now and offer attractive distributions that should grow for years.

The **TSX Index** is home to many top dividend stocks that deserve to be on your TFSA radar. Several, like BCE and Fortis, still appear attractive as we head into 2021.

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