



2021 Buy Alert: 2 Top Dividend Stocks for TFSA Investors

Description

The 2021 TFSA limit is \$6,000. Investors with some cash on the sidelines are wondering which [top Canadian stocks](#) should be on their TFSA buy lists.

Will dividend stocks rebound in 2021?

Dividend stocks trailed tech plays in the 2020 market rally. In fact, many of Canada's leading dividend payers continue to trade at cheap prices, despite the fact that the broader **TSX Index** finished 2020 with a gain. As 2021 unfolds the market could see a shift of funds from growth to [yield](#).

Interest rates remain at record-low levels. As a result, investors seeking income on their savings will look for better returns than they get on GICs that only pay about 1% today. Stocks come with risks, but many of Canada's leading dividend stocks pay distributions that continue to increase every year.

Low rates are expected to remain in place for some time. This should support demand for high-quality dividend stocks in 2021 and beyond.

Why Fortis stock is a good buy for TFSA investors

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) owns power generation, electricity transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean.

The majority of the revenue comes from regulated assets. This means cash flow tends to be reliable and predictable. Homeowners and companies need to keep the lights on and heat their buildings regardless of the broader economic situation. Adjusted net income for [Q3 2020](#) was \$302 million, or \$0.65 per share, compared to \$287 million, or \$0.66 per share, in the same quarter last year.

Fortis grows through acquisitions and internal projects. The current five-year capital plan of \$19.6 billion is expected to boost the rate base from \$30.2 billion in 2020 to \$40.3 billion by 2025. Fortis raised the dividend by 5.8% in 2020 and intends to increase the payout by an average of 6% per year

through 2025. The board hiked the dividend in each of the past 47 years.

The stock appears cheap right now near \$51 per share and provides a 4% yield. Fortis traded as high as \$59 in the past 12 months.

Should Canadian Natural Resources stock be on your TFSA buy list?

TFSA investors who'd bought **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) shares near \$10 in March have already tripled their money. Despite the strong rally, the stock still appears cheap.

Why?

WTI oil just topped US\$50 per barrel. Natural gas is up 80% since July. CNRL is a major producer of both oil and natural gas. The company says its WTI operating breakeven price is less than US\$31 per barrel, so the company should generate strong profits at current oil prices.

Management recently raised the capital program for 2021 based on the strong commodity prices. Oil is expected to average US\$50 per barrel in 2021, and some analysts see a rally as high as US\$60 at some point during the year. New pandemic lockdowns around the globe could put a dent in the demand recovery for the first part of 2021, but OPEC+ has agreed to maintain supply cuts to prop up the market.

CNRL's dividend looks safe and provides a 5.25% yield at the current share price of \$32.25. The stock traded above \$40 in January last year, so there is decent upside opportunity as the global economy improves. Volatility should be expected, but you get paid well to ride out the turbulence.

The bottom line

TFSA investors can get decent yield from reliable dividend stocks right now. Fortis and CNRL appear reasonably price and offer a shot at solid upside through the end of the year. If you have some cash available for your TFSA limit in 2021 these stocks deserve to be on your radar.

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
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Date

2025/08/24

Date Created

2021/01/06

Author

aswalker

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