



TFSA Investors: Got \$6,000? Buy This TSX Dividend Stock Right Now!

Description

Equity investors continue to grapple with uncertainties as the markets remain volatile amid inflation fears and rising interest rates. While the vaccination rollout in the U.S. has gained pace, it's quite a different story in Canada and many other countries. Several economists believe it might take at least another year for global gross domestic product numbers to reach pre-COVID-19 levels.

Investors should brace for wild swings in equity markets given the range of uncertainties. However, even during these tough times, you need to ensure your equity portfolio is able to withstand significant volatility.

Fortunately, few stocks can be viewed as safe havens in this turbulent market. These stocks generate stable cash flows across economic cycles and are poised to derive outsized gains over the long-term.

TFSA investors can invest in recession-proof stocks

No one can consistently predict [a market crash](#) or even a market recovery. It's impossible to time the market, which means you need to focus on dollar-cost averaging to offset short-term volatility. For example, if you have \$6,000 to invest right now, it makes sense to allocate \$500 each month rather than all at once.

The Tax-Free Savings Account (TFSA) is a flexible registered account that's gaining in popularity among Canadians. The TFSA contribution limit for 2021 is \$6,000 and you should look to buy and hold well-capitalized stocks that have the ability to generate steady earnings and increase dividends over time.

Several companies in the renewable energy and utilities space such as **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) have robust operating cash flows and a strong balance sheet, making dividends sustainable.

AQN stock has been a massive wealth creator

Algonquin Power operates a diverse portfolio of regulated and non-regulated assets. It has also focused on expanding its base of [renewable energy assets](#), over the years.

In Q4 of 2020, Algonquin Power reported sales of \$492.4 million — 12% higher than the prior-year period. The net earnings attributable to shareholders rose 193% to \$504.2 million while adjusted net earnings was up 22.6% and adjusted EBITDA soared 9.9%.

The growth in net earnings was attributed to an increase in earnings from operating facilities, change in fair-value investments as well as foreign exchange investments.

Adjusted funds from operations were up almost 25% at \$179.3 million. The company's net earnings per share stood at \$0.21 while dividends per share was \$0.16 indicating a payout ratio of 76%.

Further, AQN stock sports a forward dividend yield of 3.94%. The stock is currently trading at \$19.91 which is 12% below its 52-week high.

Analysts tracking the stock expect AQN to increase sales by 28.4% to \$2.15 billion in 2021 and by 11.6% to 2.4 billion in 2022. The company's earnings are also forecast to increase by 12.5% in 2021 and by 9.7% in 2022.

The Foolish takeaway

If you would have invested \$500 each month in AQN stock in the last five years, your total investment would be \$30,500. You would be able to purchase 2,076 shares in this period which would now be worth \$41,333. After accounting for dividend payments, total returns will be closer to \$45,500, indicating annual returns of over 15%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

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Author

araghunath

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