2 Recession-Proof Dividend Stocks to Buy

Description

When was the last time you thought about how well diversified your portfolio is? Diversifying your portfolio is an important unwritten rule that you should follow as an investor. Diversification is not just a matter of picking stocks from different sectors of the economy. You should also understand the importance of adding recession-resistant assets to your portfolio.

Having a few recession-proof income-generating assets in your portfolio adds another element of diversification to your portfolio. Non-cyclical dividend stocks in your portfolio can allow you to enjoy passive income, even during volatile market conditions. If you don't already have such assets in your portfolio, I will discuss two such stocks that you can consider today.

Telecom giant

BCE (TSX:BCE)(NYSE:BCE) is the biggest telecom operator in Canada that generates substantial revenues through its services that cater to millions of customers in the country. Trading for $63.15 per share BCE stock boasts a juicy 5.54% dividend yield. While it might seem that the high dividend yield is unsustainable, the telecom giant earns has the free cash flow to comfortably fund its shareholder dividends.

The company can continue generating revenues during harsh economic environments, because its customers are not likely to discontinue their subscriptions to cut costs. People need to remain connected with each other, and its services have played an integral role in ensuring continuity for the changing landscape due to the pandemic.

The company is also working on developing its 5G infrastructure that can provide a considerable boost to its earnings as the technology becomes more commonplace worldwide.

Renewable power-generation company

Power-generation companies are also providing an essential service to their customers. Power utility services are another area where consumers will be unlikely to discontinue their services if they have to cut costs, allowing power-generating companies to continue enjoying solid revenues regardless of economic conditions.

Green energy businesses like **TransAlta Renewables** (TSX:RNW) focus on producing electricity through renewable energy sources. TransAlta Renewables owns and operates an impressive portfolio of renewable energy assets that include wind farms, hydroelectric facilities, and natural gas-based energy production plants. The company relies on these assets to produce 98% of the energy it provides at an impressive 2,537 MW capacity.

Trading for $22.43 per share at writing, TransAlta Renewables stock pays its shareholders at a juicy yet sustainable 4.19% dividend yield. We are living in a time when green energy will continue to become increasingly important. TransAlta Renewables is well positioned to capitalize on the renewable energy sector’s boom and could provide substantial upside to its investors in the long run.

Foolish takeaway

The two recession-proof dividend stocks I have mentioned above are excellent picks that offer diversification to your portfolio and can generate wealth growth through reliable passive income. Additionally, BCE and TransAlta Renewables boast significant growth potential.

Between reliable dividends through every market environment and capital gains, BCE stock and TransAlta Renewables stock could be ideal long-term investments to make you a wealthy investor.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:RNW (TransAlta Renewables)

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