
# 2 Dividend Stocks That Could Stabilize Your TFSA During a Market Correction

## Description

A common strategy for investing during a market downturn is to allocate a greater proportion of your portfolio towards dividend stocks. This is because dividend stocks tend to see much less severe drops compared to growth stocks. This has proven true once again. With stocks dropping across all sectors, companies associated with high growth have seen extreme drops of 30% or more. Meanwhile, many blue-chip dividend stocks have managed to hang onto single-digit dips.



Although investing should be seen as a journey spanning many years, TFSA investors need to be very cautious about letting positions fall a bit too much. This is because Canadians are only given a certain amount in terms of contribution room per year. In addition, investors can't claim any losses incurred in a TFSA. Therefore, choosing the right stocks to hold at the right time is essential. Here, I'll discuss two dividend stocks that could stabilize your TFSA during a market correction.

## It's time to buy the banks

One of the main reasons why the market has been falling recently is because of investor fears surrounding a potential increase in interest rates. This is cause for concern for many investors, because it means that companies may have a harder time borrowing money and growing. However, certain industries actually fare better in high interest rate environments. For example, banks tend to do well in those scenarios. When interest rates rise, banks often see larger profit margins.

Because of this, investors should consider buying shares of **Bank of Nova Scotia** (TSX:BNS)( NYSE:BNS). It is a member of the Big Five, a group of banks which dominate the Canadian banking industry. Of that group, Bank of Nova Scotia claims the largest international presence. This is very attractive as it spreads risk across more countries. If one region suffers an economic blow, other parts of its business can pick up the slack.

In terms of dividends, Bank of Nova Scotia is a Canadian Dividend Aristocrat. It also offers an attractive forward yield of 4.42%. Finally, Bank of Nova Scotia stock has traded about flat this year. This outperforms the broader market. Here's one dividend stock that investors should consider holding for many reasons.

## Invest in this reliable company

Canadians should also consider an investment in one of the Canadian railway companies. This industry is very attractive because there currently isn't a viable way to transport large amounts of goods over a long distance if not by rail. In addition, two companies dominate the Canadian railway industry. This means that both companies should continue to see high demand over the coming years. Of those two companies, I prefer **Canadian National** (TSX:CNR)(NYSE:CNI).

Canadian National is another Canadian Dividend Aristocrat. It's notable for maintaining a dividend-growth streak of 25 years. This makes it one of 11 Canadian dividend stocks that would qualify as Dividend Aristocrats by American standards. Canadian National's dividend payout ratio is very low at 35.7%. This means that the company could continue to raise its dividend with ease over the coming years.

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2. NYSE:CNI (Canadian National Railway Company)
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