



## 3 Dividend Stocks to Buy During Recession to Lock In a 6% Yield

### Description

Rising prices and growing tensions of a recession are making retail investors risk averse. This calls for a lower-risk, higher-return investment strategy. Dividend Aristocrats are companies that enjoy stable cash flow, irrespective of the economic scenario. Such stocks carry risk, but they are more industry and company specific.

The macro-environment impacts the stock price of Dividend Aristocrats as well. You can use this [bearishness](#) to your advantage and go dividend shopping to stock up on passive income for a recession.

## Three dividend stocks to buy in a recession

The market has set its eyes on the next U.S. Fed meeting to increase interest rates. Many Fed officials have [accepted](#) a recession as an outcome of the Fed's aggressive rate hikes to reduce inflation. The U.S. market impacts Canadian markets, as the former is a major export market for Canada. With the recession hitting our neighbour, here are some friendly neighbourhood stocks you won't regret buying in a recession.

- **TransAlta Renewables** ([TSX:RNW](#)): 5.61%
- **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)): 6.29%
- **SmartCentres REIT** ([TSX:SRU.UN](#)): 6.66%

## A Dividend Aristocrat in the making

Investors are undervaluing the potential of renewable energy, especially at a time when countries are seriously considering them. TransAlta generates power from wind, solar, natural gas, and hydro. Remember **Suncor Energy** in the 1990s and early 2000s? Oil prices were at their peak, and all oil companies gave dividends and capital appreciation thanks to economic growth and a jump in oil demand.

Renewable energy is at the stage oil was in the early '90s. The growing threat of climate change and the urgency of energy security and CO2 emission reduction are driving renewable energy demand. TransAlta has 100% of its electricity contracted. And it is developing more projects at a rapid pace.

Every new project brings a new source of income. The company started paying a monthly dividend the year it got listed on the stock exchange. It has had nine years of successfully paying dividends. However, it is not increasing dividends regularly, as it is using the money to develop new projects. After a few years, TransAlta could reach a level where its old projects are paid off, and it has sufficient cash flow to increase dividends and fund new projects.

Investing in a Dividend Aristocrat in the making in a bear market allows you to lock in a 5.6% dividend yield and future dividend growth and capital appreciation. TransAlta is a stock I suggest you regularly buy throughout the recession to make your portfolio crisis ready.

## A dividend that grows

Enbridge is a Dividend Aristocrat with a history of paying regular quarterly dividends for over 50 years. It has also been growing dividends for 27 years at a 10% compounded annual growth rate (CAGR). But Enbridge's growth rate is slowing, as it is becoming increasingly difficult to make new oil and gas pipelines due to environmental reasons. Moreover, the stock trades near the higher end of its 52-week range.

But even at this rate, Enbridge is a buy, as the stock is less volatile than the market. It can protect your investment from falling as much as the market while giving you dividends.

## SmartCentres REIT

A dividend portfolio is incomplete without a REIT. It gives you the diversification of asset class and regular monthly income. SmartCentres REIT gives you exposure to the retail industry's growth and real estate income. Its portfolio of retail stores in the Greater Toronto Area commands a high rent. Retailers are willing to pay high rent, because these stores are close to a **Walmart**, which gives them the advantage of higher footfall. SmartCentres has a five-year lease with Walmart, and any store expansion plans of Walmart could bring more money to the REIT.

While SmartCentres REIT has not increased its distribution consistently, it has maintained the amount even in a crisis. This is a stock to buy in a downturn and lock in higher yields.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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

4. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)

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#### **Date**

2025/08/20

#### **Date Created**

2022/07/04

#### **Author**

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