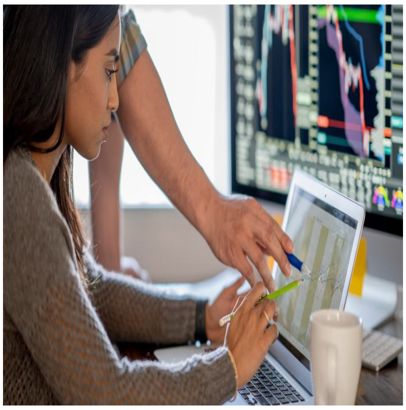

Passive Income: 1 Top Defensive Dividend Stock to Own in a Recession

Description

Volatility in the TSX will likely continue in the coming months, as investors try to figure out if a recession is on the way.

Recession outlook

Persistent high inflation is already forcing households to trim discretionary spending, as the cost of essentials such as food and gasoline eat up a larger part of their budgets. In an effort to bring inflation under control, the U.S. Federal Reserve and the Bank of Canada are increasing interest rates at a faster pace and by larger amounts than previously expected. This is driving up borrowing costs for businesses and property owners. The result will be an added reduction in cash flow available for investment or consumption.

Economist currently predict a modest economic slowdown due to high employment levels and a resilient consumer. However, in the event the jobs market reverses course and households get to the point where they can't pay all the bills, the recession could be deeper.

In that scenario, equity prices would likely continue to fall.

Good stocks to buy now

Given the economic uncertainty over the next year or two it makes sense for dividend investors to search for companies that provide essential services and are offering decent dividend-growth guidance. Communications companies, for example, tend to be attractive picks. They can pass higher costs through to customers in an inflationary environment and have revenue streams with built-in resistance to economic downturns.

Let's take a look at one top TSX dividend stock that looks attractive right now for a TFSA focused on passive income.

Telus

Telus (TSX:T)(NYSE:TU) provides Canadian businesses and households with mobile, internet, security, and TV services. Aside from the entertainment component of the offerings, these are essential services that people and companies require to navigate through their daily lives and business activities.

Telus has a strong balance sheet and is making the investments needed to ensure its customers continue to have access to the broadband they need across multiple platforms. The company is near the end of its copper-to-fibre transition and is ramping up the expansion of its 5G mobile network.

Telus is also investing in its non-traditional subsidiaries. For example, Telus Health is about to get a lot larger as a result of the purchase of **LifeWorks**, a provider of digital health services for employer-provided healthcare plans. Telus Agriculture, another promising venture, helps farmers make their businesses more efficient through the use of digital solutions.

Telus typically raises its dividend two times per year and expects to increase the payout by 7-10% annually through 2025. That's solid guidance in the current environment. At the time of writing, the stock provides a 4.75% dividend yield.

The bottom line on top defensive stocks

Telus isn't a recession-proof stock, but the revenue stream should hold up well during challenging economic times and investors can rely on management to bump up the dividend every year for the foreseeable future.

If you have some cash to put to work in a portfolio focused on generating income, Telus stock deserves to be on your radar.

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Date
2025/09/07
Date Created
2022/07/09
Author
aswalker