TFSA Investors: 1 Battered Dividend Stock for Passive-Income Fans

Description

TFSA investors with extra cash on the sidelines may wish to put it to work, with the many intriguing dividend stocks out there that now offer a bit more passive income for a lower price of admission. Undoubtedly, a recession implies damage done to the economy.

However, it doesn't have to be feared by investors, especially those willing to invest for the long haul (think the next 10 years and beyond). Further, recessions are bound to happen many times over one's investment career. And not every one of them is as bad as the Great Recession of 2008.

Indeed, when we hear the word *recession*, flashbacks of the horrid times of 2008 come to mind. The massive destruction of wealth and period of unemployment has hurt the pocketbooks of an entire generation. The 2008 stock market crash was also one of the worst on record. Though recessions can be as bad as the one suffered 14 years ago, not all of them accompany a 55% haircut in stocks alongside a 19-month-long bear market.

The average bear market tends to be around nine months. Bear markets that accompany recessions tend to lead to bear markets that last longer than 18 months. Ones that don't may be shorter in duration than the current bear market!

Recession or not: TFSA investors should hold their nose and buy dividend stocks

It's been one of the worst first halves of a year in many decades. After such a substantial drawdown, TFSA investors should at least be thinking about buying something. While you're sure to feel terrible by buying and holding stocks for another few months, you may thank yourself in two or even three years' time. Perhaps you may wonder why you did not buy more while most others on the Street were in a panic.

Sometimes, you just have to hold your nose and start nibbling on something. After a full-point (100-bps) rate hike from the Bank of Canada, it seems like the TSX Index is en route to falling into a bear market alongside U.S. markets. Regardless, there exists value today. Such value plays may not be higher next week or next month. However, it's highly likely they'll be much higher in five years from now.

TD Bank stock: A cheap passive-income play to bank on!

Consider shares of **TD Bank** (TSX:TD)(NYSE:TD), a top Canadian bank stock that I view as too cheap to ignore after its 26% plunge. It's a high-quality bank that's likely to be in much better shape in two to three years from now, after the firm has had time to integrate its First Horizons banking acquisition.

TD's managers have navigated through rough waters before. As provisions start creeping higher again, investors will be quick to forget TD's resilience. For TFSA investors focused on the long run, the higher yield (4.5%) is more than worth reaching for, as most others sour on financials.

At 9.9 times trailing earnings, investors view TD stock as some sort of trap ahead of a potential recession. With perceived risks at a high point, I'd argue the risks of buying at these valuations are quite low. TFSA investors, take notice!

Nobody knows when the market will turn a corner. But when it does, you can count on TD to stampede out of the gate at a rapid rate.

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