New Investors: 1 Top TSX Stock to Inflation-Proof Your TFSA

Description

Your TFSA (Tax-Free Savings Account) may be used as a mere store of cash and risk-free securities like GICs (Guaranteed Investment Certificates) and bonds. But for investors willing to build wealth over the course of many years or decades, the TFSA is far better suited for holding risk-on assets like stocks and REITs (Real Estate Investment Trusts).

Undoubtedly, many Canadians are using their TFSAs as a mere store of savings. With inflation at a hot 7.6% in Canada, any so-called “high interest” from savings accounts is barely able to help investors stay above water. Rate hikes may be on the way, but at this juncture, inflation may stay well above 3% for another two years.

Turn your TFSA into an inflation fighter with dividend stocks

Peak inflation is encouraging, but the battle is not over until central banks lift their foot off the rate-hike pedal. By year’s end, inflation could linger above 5-6%. That’s still too hot for comfort. Fortunately, investors don’t need to settle for negative real returns (that’s returns after inflation) with those 2%-yielding short-duration bonds.

Despite the market rally, many sold-off dividend stocks sport yields well north of 5%. Such payouts are not only safe in the face of a mild recession, but they could have the means to grow at an above-average rate due to their stable operating cash flow streams.

In this piece, we’ll check out a high-yielder that is perfect for a TFSA retirement fund. Though their dividend yields are still below the current rate of inflation, I wouldn’t be surprised to see them match and then exceed the inflation rate over the next year and a half.

Without further ado, consider shares of **BCE** (TSX:BCE)(NYSE:BCE).

BCE stock: A great dividend for inflationary times

BCE is a telecom titan that's a mainstay in long-term-focused passive income funds. Though the retiree favourite doesn't have the most exciting growth prospects in the world, the payout is among the stablest out there.

In a prior piece, I stated that BCE's wireless and wireline businesses would be in a spot to enjoy a bit of a near-term boost, thanks to the recent **Rogers Communications** outage that could weigh heavily on customer retention.

Though I do not expect a considerable amount of Rogers customers to stampede over to Bell through year's end, given Rogers has done a lot to make things right for the customers who suffered through such outages, BCE's management does expect a bit of a jolt from the fiasco. And I think this jolt could help give a lift to BCE shares, even if monthly bill delinquencies creep higher going into recession.

Further, BCE managers recently remarked that its network is not prone to such outages, given its structure.

"They are configured such that a major disruption on the wireline network does not take down the national wireless network," said Mirko Bibic, CEO of BCE.

Such comments feel like salt poured straight into the wounds of Rogers!

Indeed, reliability is of utmost importance to customers. Though Rogers is taking steps to ensure such outages never happen again, the fact that it happened in the first place could put the number-three telecom behind the pack over the medium term.

At writing, BCE stock sports a juicy 5.61% dividend yield. As we learn more about how many Rogers customers will be jumping ship, expect management to continue raising the bar on its payout at a rate close to the five-year dividend growth rate of 5.1%.

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