



Forget Cash in Your TFSA: Buy These 2 Dividend Stocks Instead

Description

One of the most common mistakes that Canadians make with their [Tax-Free Savings Accounts](#) (TFSAs) is that they don't use them for their intended purpose: to compound your money rapidly by finding top growth and dividend stocks to buy.

While the name of the account is a savings account, the fact that you can buy many different investments without paying tax on any of your earnings is a significant opportunity.

Of course, having a little cash in your TFSA is okay and is actually encouraged to ensure you have the chance to buy attractive stocks when the opportunities present themselves. In general, though, using a TFSA as a savings account is not a good idea, and the majority of your money should be put to work.

In this environment, though, there's certainly a risk of a recession on the horizon, which makes many Canadians hesitant to put their capital to work. However, if you can buy high-quality, all-weather dividend stocks with incredibly reliable operations, you can reduce that risk significantly and earn an attractive dividend as a result.

If you've got some cash in your TFSA that you can invest, here are two of the best dividend stocks to buy now.

A top utility stock that can protect and grow your capital

If you're hesitant to put your cash to work in this environment, then one of the safest and most reliable dividend stocks to buy now is **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

Algonquin is one of the most reliable stocks that you can own due to its well-diversified utility operations, which are essential and earn the stock tonnes of consistent cash flow.

Algonquin owns and operates water, gas and electricity utilities in 13 different states south of the border, as well as the province of New Brunswick. And right now, compared to other utility stocks, Algonquin offers some of the best value, trading at just 17.7 times its forward earnings.

Plus, in addition to its highly resilient utility segment, which accounts for roughly 75% of Algonquin's operations, the stock also has a high-potential green energy segment with 41 different facilities that give the stock roughly 1.4 gigawatts of net generating capacity.

This gives Algonquin tonnes of long-term growth potential that complement its highly resilient utility operations well.

So, if you're looking for the best dividend stocks to buy and hold through this highly uncertain environment, Algonquin pays an attractive 5.3% dividend, making it an ideal choice.

One of the top Canadian dividend stocks to buy and hold in your TFSA

In addition to Algonquin, **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is also one of the best dividend stocks to buy in your TFSA today.

The massive Canadian telecom stock has highly defensive operations. Furthermore, because of the long-life assets it owns, BCE is constantly bringing in tonnes of free cash flow.

This makes it an ideal investment to buy in this environment but also hold for the long haul. If you look at the pandemic's impact on BCE, for example, its revenue fell just 9% at the worst point during the lockdowns.

Furthermore, BCE continued to earn impressive free cash flow throughout the pandemic and continued to increase its dividend, extending its dividend-growth streak to 13 years.

Therefore, with the massive telecom stock offering a dividend [yield](#) of roughly 5.8% today, it's certainly one of the best dividend stocks you can buy now. Plus, on top of BCE's solid operations and the attractive passive income it generates, the stock is also currently trading roughly 15% off its high.

That may not seem like the most significant discount, but for a steady and resilient stock like BCE, it's an excellent opportunity to buy, especially since the stock is just barely trading off its 52-week low.

So, if you have cash in your TFSA, and you're looking to put it to work today, there's no question that BCE is one of the best dividend stocks you can buy.

CATEGORY

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3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BCE (BCE Inc.)

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