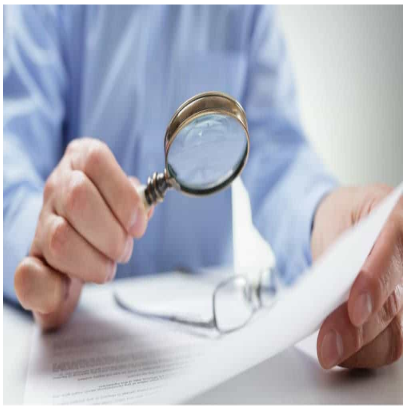

TFSA Investors: 2 Dividend Kingpins to Watch as Markets Continue Tanking

Description

It's an uncomfortable situation to be in for Tax-Free Savings Account (TFSA) investors. Inflation continues to weigh on our wallets, while central banks are threatening to raise rates, even if it means the economy gets kicked into the abyss. It's a scary time, perhaps even more anxiety-inducing than the February-March selloff of 2020.

Uncertainties couldn't be greater. And although stocks are back below the lows hit back in June, long-term investors should continue to stay the course and, if they can help it, err on the side of bullishness.

Now, it's hard to be a lone bull with bears all around us. That said, long-term investors don't need to be proven right over the next month, quarter, or even year. If you've committed to investing past 2025 (and assuming you didn't chase unprofitable companies last year), your TFSA game plan is still sound, even though it may not seem like it.

As the saying goes, most wealth is made in bear markets. It's also when most wealth is wiped out for those inclined to act on emotion. That's why it's vital to keep your cool and only make investment moves if you're not in a spot to buy into some bearish doomsdayer's downside price target.

In this piece, we'll have a look at two tumbling TSX stocks that may be worth watching as markets continue to free-fall into year's end. It's been a brutal year thus far. But stocks are objectively a better deal than they were one or two years ago. That's why it's worth biting your lip and buying something if you've got the TFSA cash to do so.

Consider **IA Financial** (TSX:IAG) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

IA Financial

IA Financial is an insurance underdog that's down more than 17% from its high just shy of $85 per share. Undoubtedly, the prospect of higher rates is a positive. That's probably why the stock (and other robust financials) find themselves down less than the S&P 500 (which is off about 25% from its peak).

Though higher rates are good for the financials, the accompanying recession is likely to weigh on wealth management and insurance profitability. As well managed as IA is, it can't avoid the inevitable pains that come with a rate-induced slowdown. After fluctuating in bear market territory for most of the summer, I think IA may be ready to find a floor. Shares trade at 9.4 times trailing price-to-earnings (P/E) ratio, which is well below historical averages.

Further, the 3.88% dividend yield is quite bountiful and likely safer than its peers. Finally, IA has a history of outperforming other insurers when the economic lights go out. The 2023 recession should be no different, in my opinion.

Royal Bank of Canada

Royal Bank of Canada stock has run off those 2020 pandemic lows has been cut short. With shares down more than 15% from their $147 and change highs, investors have been too quick to give up on Canada's largest company, which may also be one of its best run.

Royal Bank stock has been through tough times before. Prior to the coronavirus crash, shares went virtually nowhere for a few years. Despite the economically tied performance, the firm has continued raising its dividend consistently over extended durations. No recession lasts forever. Once it ends, I expect Royal stock could rally as sharply as it crashed.

During the 2008 Financial Crisis, the relief rally appeared sharper and faster than the crash. Why was it so swift? Royal can get back on its feet faster than your average firm. And it's more than ready for the economic hurdles to come in 2023.

At 11.3 times trailing P/E, Royal stock is cheap historically, but not by much, given what lies ahead. Regardless, I'd keep RY stock on my radar and be ready to buy the dividend kingpin on any further dips. It's just too high quality a bank to be tossed out alongside everything else.

CATEGORY

1. Investing

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1. NYSE:RY (Royal Bank of Canada)
2. TSX:IAG (iA Financial Corporation Inc.)
3. TSX:RY (Royal Bank of Canada)

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