



Winter Is Coming: 2 Passive-Income Stocks to Secure Your TFSA for Tough Times

Description

Passive-income stocks are great picks for [Tax-Free Savings Account \(TFSA\)](#) investors looking to weather another round of this inflation storm. Undoubtedly, investors are growing hopeful that central banks will begin to take their foot off the gas pedal. Though markets are oversold, it may still be too soon to deem that it's "safe" to get back in the water, with quarterly earnings season right ahead of us.

For investors, one should not ask if it's safe to get in. Rather, one should gauge if the risk/reward scenario over the long term is still attractive. After such a rocky first three quarters (and counting) to the year, I'd argue that the risk/reward profile is the best it's been in recent memory. Further, passive-income stocks with track records of keeping payouts intact through difficult times seem to be worth their weight in gold, as we look to enter the later innings of this inflationary environment.

Keeping your TFSA ahead of inflation

Sure, inflation of 7% makes many dividends look less than appealing. Still, it's worth remembering that these high levels of inflation won't carry on forever.

Though they may not be transitory, as the Federal Reserve previously suggested, it may very well be in the grander scheme of things (over the next +20 years). In time, inflation will return to normalized levels, whether it takes years or substantial economic pain brought forth by rate hikes. Once inflation is back to historical norms, today's dividends may be more than worth picking away at, even though they're unlikely to help you stay ahead of inflation over the medium term.

Instead of chasing yield (yields near the 7% mark), try to find stable, reliable dividends that can keep giving you steady growth year after year. Consider **Hydro One** ([TSX:H](#)) and **Enbridge** ([TSX:ENB](#)): two inflation fighters that can help you make it through a potentially choppy winter season.

Hydro One

Hydro One is a highly regulated utility with a very wide economic moat surrounding its Ontario-based

transmission lines. The high degree of regulation has made Hydro One stock an effective way to score lowly correlated (to the TSX Index) returns over time. Hydro One can also fare better in a recession because of its economically resilient operating cash flow stream. Its cash flow resilience translates to dividends and modest single-digit growth every year.

Indeed, Hydro One isn't a name to be excited about. But it's one that can help you endure economic hardship. The stock recently corrected (now off 10%) alongside everything else after mostly shrugging off market-wide pressure for most of the year.

I think the dip is a great chance for cautious investors to top up. At 19.2 times trailing price to earnings (P/E), H stock boasts a 3.41% dividend yield and one of the lowest five-year betas (0.23) out there.

Enbridge

For those seeking more yield to overcome inflation, Enbridge may be the better bet with its 6.63% yield. Undoubtedly, Enbridge has raised its dividend through the worst of the [energy](#) price collapse (pre-2020). The firm received flak from some pundits who didn't think the firm earned the "right" to raise its payout. Still, management was proven right, as industry conditions eventually turned.

Even with energy prices at comfortably high levels, Enbridge stock isn't exactly cheap. The stock goes for 21.5 times trailing P/E, making it pricier than most other companies with their fates tied to the energy patch. Indeed, the handsome dividend is a major draw for income investors.

Although there are cheaper income stocks in the midstream space, I find it tough to pass up Enbridge. As the share price falls, the yield swells accordingly. And as the yield flirts with 7%, dip buyers are surely to line up.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:H (Hydro One Limited)

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