TFSA: 3 Buy-and-Hold Dividend Stocks With Massive Long-Term Potential

Description

Many TFSA (Tax-Free Savings Account) investors probably can't wait to finally bid 2022 farewell. Indeed, it was a bad year for investors. A new month may not mark the end of this bear market. But investors will have a chance to contribute to their TFSAs and go shopping in a market that I think is rich with long-term opportunities.

The TFSA contribution limit for 2023 is set at $6,500.

That's a mere $500 increase from last year. Those who can make the contribution should do so. However, TFSA contributors may wish to average into (using a dollar-cost averaging) their favourite stocks over time if they're looking for ways to fight back against market volatility.

In this piece, we'll have a glance at three interesting dividend stocks that I believe have long-term fundamentals that still stand in the face of the looming economic downturn.

Consider shares of **CIBC** (TSX:CM), **TD Bank** (TSX:TD), and **Telus** (TSX:T), three dividend heavyweights worth averaging into on further weakness.

CIBC

CIBC is a number-five Canadian bank that's endured a choppier year than the rest of the pack. The stock is hovering around $54 and change following its 35% drop. It's been a drastic fall, but there's significant long-term support in the mid-$50 range. Despite the technical picture, investors may be a tad worried about the implications of a coming economic recession.

CIBC may be a tad more vulnerable to a downturn than some of its peers, especially if the Canadian housing market reveals more prominent cracks. Higher interest rates will surely add some pressure to the domestic housing market.

In any case, I think such recession fears are priced in. Further, investors may be overestimating the potential for catastrophe in 2023. Many pundits expect a Canadian recession to be quite mild. The Canadian housing market, I think, can shrug off such an environment better than CIBC's stock moves would suggest.

The stock's just 8.19 times trailing price to earnings. While CIBC's peers sport similar or lower multiples, I'd argue the juicy dividend (now yielding over 6.2%) is worth preferring CIBC over its peers alone.

Chasing yield may entail greater risks. But CIBC isn't the same bank it was before 2008. It's stress-tested and could impress if the recession isn't as bad as Bay Street expects!

TD Bank

For those seeking U.S. banking exposure, TD Bank is a compelling bet. Compared to CIBC, TD isn't as vulnerable to a potential Canadian housing market downturn. In any case, TD stock trades at a premium to CIBC for its relatively steady ground in the face of a downturn.

The stock trades at 9.33 times trailing price to earnings. Meanwhile, the dividend yield sits at 4.35%. TD stock is pricier and less bountiful than CIBC. However, you're getting a solid management team that's making a very prudent push south of the border. The U.S. banking business gets more interesting with every acquisition TD makes.

Though TD has likely finished with deal-making in the U.S., I am a fan of the bank's potential to recovery once a 2023 recession ends.

Between CM and TD stock, I prefer TD. However, I'm not against reaching for yield with CIBC shares if you seek more passive income.

Telus

Finally, we have telecom titan Telus, which makes a strong case for why it could be one of the best wireless players in the country, if not the continent. Indeed, Telus has been doing a great job of balancing network reliability with solid customer service. Though higher rates could weigh a bit on longer-term profitability, as Telus continues adding to its network, most such rate-related headwinds seem baked in.

The stock is down more than 22% from its high. As a result, shares are quite cheap at 18.4 times trailing price to earnings (historically, an approximate 20 times price-to-earnings multiple has proven a fair multiple). Further, the dividend yield is incredibly enticing at 5.3% in this inflationary environment.

Telus's growing payout might just help TFSA investors overcome inflation in 2023.

CATEGORY

1. Dividend Stocks
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