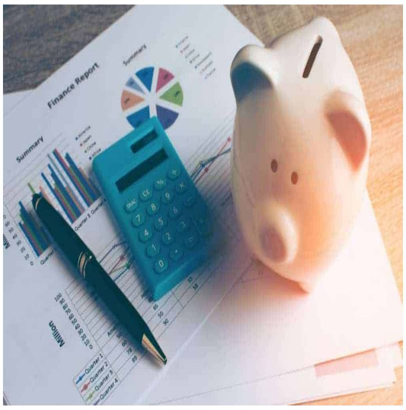

RRSP and TFSA Investors: 2 Defensive Stocks to Buy and Never Sell

Description

Canadian retirees are seeking passive income inside their Tax-Free Savings Accounts (TFSA) and younger investors are looking for stocks that can deliver attractive total returns inside their Registered Retirement Savings Plans (RRSP). The market correction over the past year is giving both an opportunity to buy top TSX dividend stocks at discounted prices.

BCE

BCE (TSX:BCE) is Canada's largest communications business with a current market capitalization of about $55 billion. The company owns wireline and wireless network infrastructure that delivers essential internet and mobile services to millions of residential and commercial clients across the country. At the same time, BCE operates a large media business that includes a television network, specialty channels, radio stations, interests in sports teams, and digital platforms. Retail locations round out the portfolio.

BCE's reach across the Canadian communications spectrum is so broad that every time someone makes a call, sends a text, checks e-mail, streams a movie, watches the news, or listens to the weather report, the odds are pretty good that a BCE asset is involved somewhere along the line.

BCE has the power to raise its fees when it needs extra cash to cover rising expenses. This is important for investors to consider when searching for defensive stocks in an inflationary environment. BCE also has a strong balance sheet that gives it the capacity to invest billions of dollars every year on the expansion of its fibre-optic wireline network and its 5G mobile expansion. These capital projects help defend the competitive position of the business and will lead to new revenue opportunities in the coming years.

BCE recently raised its dividend by 5.2% for 2023. The board has increased the payout by at least 5% annually for the past 15 years.

BCE trades for close to $61 per share at the time of writing. This is down from $74 last year. The drop appears overdone, and investors can now pick up a solid 6.3% dividend yield.

Fortis

Fortis (TSX:FTS) is a Canadian utility company with $64 billion in assets located across Canada, the United States, and the Caribbean. The firm gets 99% of its revenue from regulated businesses, such as power generation, electricity transmission, and natural gas distribution. Households and commercial clients need these essential services regardless of the state of the economy, so Fortis should be a good stock to own if you are concerned about a recession.

Fortis is working on a $22.3 billion capital program that is expected to boost the rate base by about 6% per year through 2027. The resulting increase in revenue and cash flow should support the targeted annual dividend growth of 4-6% over that timeframe.

Fortis increased the payout in each of the past 49 years, so investors should be comfortable with the dividend-growth guidance. At the time of writing, the stock is down to $55 from $65 in 2022. Investors who buy now can get a 4.1% dividend yield and simply wait for the dividend increases to booth the return on their investment.

The bottom line on top defensive stocks to buy now

BCE and Fortis pay decent dividends that should continue to grow during challenging economic times. If you have some cash to put to work in a TFSA or RRSP, these stocks appear cheap right now and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:BCE (BCE Inc.)
2. TSX:FTS (Fortis Inc.)

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