TFSA Investors: 2 Top TSX Dividend Stocks I'd Buy Now and Hold for 25 Years

Description

The equities markets currently trade near record levels, but some top **TSX** dividend stocks appear cheap right now for a buy-and-hold TFSA portfolio.

Why TC Energy is a top TSX stock for TFSA dividends

TC Energy (TSX:TRP)(NYSE:TRP) took a hit at the start of 2021 when Joe Biden revoked a presidential permit for the company's Keystone XL pipeline. The decision wasn't a surprise and TC Energy's stock barely moved on the news. The loss of Keystone is a blow, but TC Energy still has $20 billion in secured capital projects to drive growth over the coming years.

TC Energy's core gas transmission network plays a key role in the Canadian and U.S. energy infrastructure industry. Natural gas has a bright future, as countries transition off coal-fired plants to produce electricity. LNG exports should expand in the coming years, and TC Energy is positioned well to supply the terminals.

TC Energy reported record comparable earnings of $3.9 billion in 2020, so the company is navigating the pandemic in great shape.

A broad-based selloff in the energy sector hit related stocks across the board, whether they deserved it or not. TC Energy's share price trades below $54 at the time of writing compared to more than $70 at this time last year.

The stock appears oversold. Investors who buy now can pick up a 6.5% dividend yield and get annual distribution growth of 5-7% over the medium term.

Why BCE remains a solid dividend pick for TFSA investors

BCE (TSX:BCE)(NYSE:BCE) trades near $55 and offers a rock-solid 6.3% dividend yield. The share price traded as high as $65 before the pandemic, so there is decent upside potential from Canada's largest communications firm.

BCE raised the dividend by 5% for 2021. Investors should see the payout continue to rise at 4-5% per year. BCE's media division took a hit in 2020, as advertising revenue dropped across the TV and radio assets. The pro sports teams continue to play without fans in the seats, but that should change in 2022.

Lucrative roaming revenue should also bounce back when travel restrictions ease.

The arrival of 5G presents BCE with new revenue opportunities. The company has the financial means to make the required investments to keep its networks and services state of the art. At the same time, BCE generates strong free cash flow to support the generous dividend. Slow and steady growth should be expected in the coming years.

There is a theory that high interest rates pose a threat to BCE's stock price. When rates rise, yield-seeking investors could shift out of telecoms and utilities to safer investments, such as GICs. At the same time, higher interest rates increase borrowing costs to fund capital programs.

For the moment, the Bank of Canada and the U.S. Federal Reserve plan to keep interest rates near record lows. In fact, it might be 2023 or later before rates begin to move higher. Despite the threat, BCE's dividend growth should help offset the closing of the yield gap when rates begin to rise.

The bottom line on top TSX dividend stocks

TC Energy and BCE pay great dividends that should continue to grow at a steady pace. The stocks appear cheap right now in an expensive market and deserve to be on your TFSA radar.

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