TFSA Investors: 2 Top Canadian Dividend Stocks to Buy Now

Description

Pensioners and other income investors are constantly searching for top dividend stocks to buy for their TFSA portfolios. The market rally in the past year erased most of the deals, but some leading dividend payers still look undervalued.

Telus

Telus (TSX:T)(NYSE:TU) is a Canadian communications firm delivering mobile, internet, and TV services to retail and business clients across the country. The company also has other investments, including its Telus Health division. This group provides digital solutions and products to doctors, hospitals, and insurance firms. Telus Health was already a leader in the space before the pandemic and has become much better known over the past year.

The recent reversal by the CRTC on cuts to wholesale internet pricing should help Telus plan for future investments, including the rollout of its 5G network. Telus already raised significant cash this year through the IPO of the international business and the sale of $1.3 billion in new stock.

Telus has a long track record of dividend growth, and that should continue at a steady pace and potentially ramp up after the heavy capital outlays expected in the next two or three years. This stock appears attractive right now when you consider the price **Rogers** is willing to pay to buy **Shaw**.

Investors who buy Telus stock today can pick up a solid 4.6% yield. The share price tends to hold up well when the broader market takes a hit, so there is some defensive value in owning the stock in a balanced portfolio.

Enbridge

Enbridge (TSX:ENB) (NYSE:ENB) transports roughly 25% of the oil produced in Canada and the United States. The energy infrastructure giant also moves 20% of the natural gas consumed in the U.S., has natural gas utility businesses, and operates a growing renewable energy group.

The energy sector took a big hit in 2020, but is starting to rebound strongly. This is occurring even as the industry remains out of favour due to the focus on climate change and new ESG investing mandates.

One knock against Enbridge is the fact that getting new pipelines built is difficult. This limits organic growth opportunities. At the same time, the existing infrastructure the company owns becomes more valuable. In addition, Enbridge is large enough to make strategic acquisitions to drive revenue expansion.

Enbridge's gas transmission and renewable energy operations helped offset the downturn on the oil pipeline side of the business last year, and that allowed the company to raise the dividend. With fuel demand expected to rebound through the back half of 2021, Enbridge's oil pipelines should return to capacity levels. Oil producers are already ramping up oil-by-rail shipments due to limited pipeline space.

Enbridge's stock price appears cheap right now, and investors can pick up a 7% dividend yield. Even if the share price stays at the current level, the return is attractive for income investors. Dividend growth should be in line with expected increases in distributable cash flow of about 5% per year. As more money moves back into energy names, Enbridge's share price could pick up a new tailwind.

In fact, it wouldn't be a surprise to see the stock retest the pre-pandemic price of $56 over the next two years. That's nearly 20% upside from the share price at the time of writing.

The bottom line

In a world where GICs pay less than the rate of inflation, it is good to know that TFSA income investors can still find high-yield stocks at reasonable prices. If you have some cash to put to work in your TFSA dividend portfolio, Telus and Enbridge deserve to be on your radar.

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