



2 Top Dividend Stocks for Income Investors to Buy Now

Description

Dividend investors are constantly searching for top stocks to add to their TFSA and RRSP portfolios. The market is starting to give back some gains on leading dividend stocks that now look fairly priced or even [undervalued](#).

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) just announce plans with **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) to partner on the construction of a carbon transportation and sequestration system. When completed, the grid will have the capacity to transport 20 million tonnes of carbon dioxide annually. Known as the [Alberta Carbon Grid](#), the project will utilize existing infrastructure and a new sequestration site.

TC Energy is a leading energy infrastructure player with more than 93,000 km of natural gas pipelines, nearly 5,000 km of oil pipelines, and roughly 4,200 megawatts of power production capacity. TC Energy also operates more than 650 billion cubic feet of natural gas storage capacity.

Investors have received 12% average annual returns from the stock over the past two decades, supported by compound annual dividend growth of 7%. The company's current \$20 billion capital program, along with other development projects under consideration, should boost cash flow enough to support annual dividend hikes of 5-7%.

The stock trades near \$63 per share compared to a recent high of \$65. Investors who buy the stock now can pick up a 5.5% dividend yield. TC Energy's share price traded for \$75 before the pandemic, so there is decent upside potential as the energy industry recovers.

Pembina Pipeline

Pembina Pipeline is busy this year. Along with the recent greenhouse gas project announced with TC Energy, Pembina Pipeline is in a battle to buy **Inter Pipeline** for \$8.3 billion. The company has also

recently partnered with First Nations groups to pursue two initiatives. The first is a partnership to build a liquified natural gas (LNG) facility in BC. Another agreement has Pembina Pipeline as the industry partner for a potential First Nations bid to acquire the TransMountain pipeline assets from the Canadian government.

Pembina Pipeline has a 65-year track record of driving growth through acquisitions and internal developments. The company now serves as a one-stop shop for all the midstream services producers require to get their product to market. Pembina Pipeline raised the dividend in early 2020 before the pandemic and did a good job of shoring up the balance sheet and managing cash flow during the worst of the crisis to ensure it could continue to pay the increased distribution.

The stock currently trades near \$40 compared to \$53 before the 2020 [market crash](#). Investors who buy the shares now can pick up a 6.25% dividend yield.

If the Inter Pipeline deal closes, Pembina Pipeline intends to boost the payout by nearly 5%. The distribution is paid monthly, making Pembina Pipeline an attractive pick for retirees and other income investors who want steady and reliable earnings on the holdings.

Pembina Pipeline is large enough to make mid-sized acquisitions, but could also become a takeover target in the next few years.

The bottom line on top dividend stocks

TC Energy and Pembina Pipeline are top players in the energy infrastructure sector. The stocks look cheap, pay generous dividends, and provide above-average yields. If you have some cash available for a high-yield TFSA or RRSP portfolio these stocks deserve to be on your buy list.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:TRP (TC Energy Corporation)

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