TFSA Investors: 2 High-Yield Canadian Dividend Stocks to Buy Now

Description

Canadians are using the TFSA to buy top Canadian dividend stocks as part of their retirement-planning strategy. While the overall market looks overbought, some great stocks with attractive yields still trade at reasonable prices.

BCE

BCE (TSX:BCE)(NYSE:BCE) is best known for its mobile, internet, and TV services, and these parts of the business generate the core of the company's revenue and profits. Over the past decade, however, BCE has spent billions of dollars to build a media division as well.

The communications giant bought CTV in 2011 for $1.3 billion, giving it a top Canadian television network. Interestingly, BCE had previously purchased CTV and sold most of it off, but the powerful future of mobile TV was becoming obvious, and BCE needed an anchor media asset to compete with peers.

In 2012, BCE bought a 37.5% interest in Maple Leafs Sports and Entertainment, which is currently the owner of the Toronto Maple Leafs, Toronto Raptors, Toronto Argos, and Toronto FC professional sports teams. BCE then spent $3 billion to buy Astral Media in 2013. This gave BCE additional specialty channels and radio stations.

The media group took a hit in the past year, as advertisers tightened their wallets and sports teams played in empty arenas. That will change in 2022 and media revenues should rebound.

BCE generates good free cash flow to cover its generous dividend. Investors should see the payout increase at a steady rate, as revenue trends higher due to increased consumption of data and additional revenue streams. Home security services and the emergence of 5G open up a host of new opportunities.

BCE currently trades near $61 per share and provides a 5.75% dividend yield. The share price is still below the $65 mark it hit before the pandemic, so the stock might still be a bit undervalued. This is particularly the case after the recent CRTC decision to cancel planned cuts to the wholesale internet rates BCE charges smaller competitors to use its network.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) owns US$15 billion in utility and renewable energy assets. The utilities provide natural gas, water, and electricity services for more than a million customers. The company's green energy portfolio consists of wind, solar, hydroelectric, and thermal power production facilities capable of producing three GW of power.

Algonquin Power delivered solid Q1 2021 results and raised the dividend by 10% for 2021. It's no surprise the stock is a popular pick with dividend investors. The board has raised the payout by at least 10% annually for a decade. Ongoing capital projects worth US$9.4 billion and new acquisitions should extend the dividend-growth streak. Investors who buy the stock today can pick up a 4.4% yield.

The shares trade for less than $19 at the time of writing compared to $22.50 earlier this year, so there is decent near-term upside potential.

Algonquin Power has a market capitalization of about $11.5 billion. As the North American renewable power sector consolidates, this business could become a takeover target for a larger utility or a private equity player looking for attractive ESG opportunities.

The bottom line on top TFSA dividend stocks

BCE and Algonquin Power pay attractive dividends that should continue to grow. The stocks appear attractively priced right now and should be good picks for retirees searching for TFSA income or for younger investors looking to build a TFSA pension fund.

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