



TFSA Income Investors: 2 Cheap TSX Stocks to Buy Now

Description

The September market correction is finally giving Tax-Free Savings Account (TFSA) investors a chance to buy some top **TSX** [dividend stocks](#) at cheap prices for portfolios focused on passive income.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) trades near \$76.50 per share at the time of writing compared to the 2021 high around \$82. The stock price of Canada's third-largest bank hasn't been this cheap since early March 2021. Investors who buy BNS stock at the current level can pick up a 4.7% dividend yield.

Buy-and-hold income investors should get rewarded with a nice dividend increase as soon as the government removes a pandemic ban on dividend hikes for the banks. This is expected to occur later this year or in early 2022.

Bank of Nova Scotia and its peers have weathered the downturn in good shape. House prices and home sales have soared in the past year, boosting mortgage portfolios. At the same time, government assistance programs helped struggling businesses and unemployed homeowners pay their loans.

Once the global economy gets back on its feet the international operations should see a strong rebound. Bank of Nova Scotia has a significant presence in Mexico, Peru, Colombia, and Chile. The pandemic has hit these countries hard, but there are attractive long-term opportunities for the Bank of Nova Scotia in these markets.

Despite the challenging environment, the Bank of Nova Scotia still reported adjusted fiscal Q3 2021 net income of \$2.56 billion with a return on equity of 15.1%. The international banking operations contributed nearly \$500 million to the profits.

Some investors are concerned that a proposed new tax on the Canadian banks would reduce cash available for dividends. One [estimate](#) puts the potential hit for Bank of Nova Scotia at roughly \$174 million based on fiscal 2020 results. The impact is likely already priced into the stock, but worth

keeping in mind.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) operates oil and gas pipelines, gas gathering and processing facilities, and logistics businesses. This portfolio of assets along the hydrocarbon value chain enables Pembina Pipeline to offer complete midstream services to oil and gas producers.

The company has a 65-year track record of growth, supported by strategic acquisitions and internal development projects. Pembina Pipeline isn't shy when it comes to bidding on attractive assets and is also open to partnering with other companies and First Nations on new initiatives.

The stock trades near \$39.50 at the time of writing. That's off the 2021 high of around \$41.50 and well below the \$53 the stock fetched before the pandemic. Investors who buy the shares at the current level can pick up a 6.35% dividend yield.

The payout should be safe in the near term and investors could see a series of new dividend hikes as projects are completed or additional acquisitions boost cash flow.

Pembina Pipeline might also become a takeover target. The energy infrastructure sector will likely consolidate in the next few years as larger players search for existing pipeline assets amid the challenging environment to get new large developments approved and completed.

Pembina Pipeline might also be attractive to alternative asset managers that want to own businesses that generate reliable cash flow.

The bottom line for TFSA passive income

Additional volatility should be expected in the coming weeks, but Bank of Nova Scotia and Pembina Pipeline already appear cheap for a buy-and-hold income portfolio. Any pullback from the current price levels should be viewed as a good opportunity to buy these top dividend stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:PPL (Pembina Pipeline Corporation)

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