



## TFSA Investors: 2 Top Dividend Stocks for Passive Income

### Description

Pensioners and other TFSA investors are searching for top dividend stocks to put inside their portfolios focused on generating passive income.

### TD

**TD** ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank by [market capitalization](#). The company is well known for its retail banking operations in the home country, but TD also has a large business in the United States. In fact, TD operates more branches south of the border than it does in Canada.

TD set aside billions of dollars last year to cover potential losses due to the pandemic. Lockdown restrictions forced businesses to close and millions of people lost their jobs. Things looked bleak for the banks in the early days, but loan deferrals and government aid enabled thousands of homeowners and businesses to keep paying their bills.

A recent Statistics Canada report indicates Canada has recovered the three million jobs that were lost due to COVID-19. With the economy on the mend and the housing market in good shape, loan defaults will not be as bad as anticipated, and TD is now sitting on a large pile of extra cash.

As soon as the banks get the green light from the government to raise dividends, investors should see a generous increase. TD might also use the cash hoard to buy back shares and make an acquisition.

The stock currently trades near 10 times trailing earnings. This looks cheap when compared to its peers in both Canada and the United States. Investors can pick up a 3.7% dividend yield and wait for dividend increases to restart.

Before the pandemic, TD's long-term compound average dividend-growth rate was better than 10% over the previous two decades.

## Telus

**Telus** ([TSX:T](#))([NYSE:TU](#)) is one of Canada's leading communications companies. The firm recently spent \$1.9 billion to buy new spectrum that will be the foundation for its [5G](#) expansion. Telus is also investing in new fibre-optic lines that run right to the homes and offices of its residential and corporate clients.

The company leads the industry with a very low postpaid mobile churn ratio. This is important in the mobile business, as it is expensive to attract new customers. Loyal subscribers not only support subscription fees for services, they also upgrade to new phones on a regular basis and are more likely to bundle other services with their plans.

Telus raised funds earlier this year through a large stock sale. It also had a successful IPO of its international business, providing the capital needed to finance the 5G spectrum purchases and support ongoing investment programs.

Telus generates strong cash flow and is a reliable dividend payer. The company has historically raised the dividend twice per year, and investors should see a total payout increase of 8-10% in 2022.

The stock is off a bit in recent weeks, giving income investors a chance to buy Telus on a dip. At the time of writing, the shares provide a 4.6% dividend yield.

## The bottom line on TFSA passive income

TD and Telus are top Canadian dividend stocks that should deliver solid distribution growth in the coming years. The share prices look attractive right now for buy-and-hold TFSA investors seeking reliable passive income.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. NYSE:TU (TELUS)
3. TSX:T (TELUS)
4. TSX:TD (The Toronto-Dominion Bank)

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#### **Author**

aswalker

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