TFSA Investors: 2 Top High-Yield Dividend Stocks to Buy Now for Passive Income

Description

Retirees and other self-directed TFSA investors are searching for top dividend stocks to put in their portfolios focused on passive income.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) owns hydroelectric, wind, solar, and gas-fired power-generation assets in Canada, the United States, and Australia. The company is also expanding its presence in the emerging power storage segment.

The business grows through a combination of internal projects and acquisitions. TransAlta Renewables recently announced a deal to buy a 122 MW solar portfolio in North Carolina. The company is also building a solar-battery hybrid facility in Western Australia for a mining company.

TransAlta Renewables reported Q2 2021 results that came in weaker than the market expected. Unplanned outages at a gas-fired power plant and reduced electricity production from wind turbines caused the drop in revenue. As a result, management lowered guidance for the year. Comparable EBITDA is expected to be $470-500 million in 2021 versus the previous target of $480-520 million.

The disappointing results led to a drop in the share price, and the downward momentum continued through the recent market pullback. At the time of writing, the stock trades near $19.50 per share compared the 2021 high of almost $22.50. Given the likely temporary nature of the negative Q2 results, the share price appears oversold. Investors who buy now can pick up a 4.8% dividend yield and get some ESG exposure in their portfolios.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) operates more than 90,000 km of natural gas pipelines in Canada, the United States, and Mexico. The company also has power production facilities and oil pipelines. TC

Energy's heavy focus on natural gas transmission and storage helped it get through 2020 in good shape and the future looks bright for the business in the coming years.

TC Energy is working on a $21 billion capital program through 2025. A key project is the Coastal GasLink pipeline that will take natural gas from northeastern British Columbia to liquified natural gas (LNG) facilities near Kitimat on the B.C. coast.

The LNG market is expected to expand in the coming years, as countries turn to gas-fired energy production as a complement to their solar, wind, and hydroelectric power investments. The power crisis hitting many countries this year is reminding governments that renewable power can't be ramped up at times of high demand, and nature determines the flow. Reduced wind, cloudy days, and droughts impact wind, solar, and hydroelectric power production.

TC Energy's acquisition of Colombia Pipeline Group in 2016 gave the company strategic assets in the United States to serve the LNG sector south of the border. The deal included key pipelines that run from the Marcellus and Utica shale plays to the U.S. Gulf Coast.

TC Energy expects to raise the dividend by at least 5% per year over the medium term. The stock picked up a tailwind in recent weeks and now trades above $65 per share. TC Energy traded for $75 before the pandemic, so there is still solid upside potential as the energy sector recovers.

Investors who buy the stock at the time of writing can pick up a 5.3% yield and look forward to steady dividend increases supported by the strong capital program.

The bottom line on top high-yield stocks

TransAlta Renewables and TC Energy pay reliable dividends that offer above-average yields. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar today.

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aswalker