Retirees: 2 Top TSX Dividend Stars to Buy Now for Passive Income

Description

Canadian seniors want to make sure the returns they get on their savings are above the rate of inflation. GICs don't achieve that goal these days, so dividend stocks are becoming popular picks.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) went through an important reorganization leading up to the pandemic. The company monetized roughly $8 billion in assets, streamlined the corporate structure by bringing subsidiaries under one roof, and refocused investments on regulated businesses.

As a result, Enbridge had a stronger balance sheet when the pandemic arrived, and that helped the company navigate 2020 in good shape. In fact, Enbridge raised the dividend late last year, despite the challenging environment.

The oil pipeline segment is seeing a rebound in throughput amid rising fuel demand. At the same time, Enbridge's natural gas transmission, storage, and distribution businesses, which held up well in 2020, should deliver solid cash flow in the coming years. The renewable energy group continues to grow and should see a larger share of capital investment going forward.

Enbridge is targeting distributable cash flow growth of 5-7% over the medium term. Dividend increases should be in the same range. Enbridge has a decent capital program in place to drive growth and is large enough to make impactful strategic acquisition. The recently announced US$3 billion purchase of an oil export platform in the United States is a good example.

Enbridge isn't as cheap as it was last year, but the stock still appears attractive at the current price near $52.50 per share. Investors who buy at this level can pick up a 6.3% dividend yield.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is another major player in the North American energy infrastructure industry with assets located in Canada, the United States, and Mexico.

Where Enbridge is heavily focused on oil pipelines, TC Energy's core business is natural gas transmission and storage. The company also moves oil and has power-generation facilities.

TC Energy is building a pipeline in British Columbia to connect natural gas producers in the province to liquified natural gas (LNG) facilities on the B.C. coast. The LNG market is expected to grow, as countries transition to gas-fired power plants from coal and oil.

TC Energy's US$13 billion purchase of Houston-based Colombia Pipelines Group added important natural gas assets that connect the Marcellus and Utica shale gas plays to the U.S. Gulf Coast where additional LNG facilities exist or are being built.

TC Energy is working on a $21 billion capital program to drive revenue and cash flow growth. It also has the financial firepower to make significant strategic acquisitions.

The stock is up in recent weeks to $68 but still trades below the pre-pandemic price of $75 per share. Investors who buy now can pick up a 5% dividend yield and look for distribution growth of 5-7% in the next few years.

The bottom line on top stocks for passive income

Enbridge and TC Energy are leaders in their industry and pay attractive dividends that should continue to grow. If you have some cash to invest in a TFSA focused on passive income, these stocks deserve to be on your radar.

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2. Investing

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