2 Cheap TSX Dividend Stocks to Buy in December for a TFSA Retirement Plan

Description

TFSA investors are searching for top undervalued TSX stock to add to their self-directed retirement fund.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) continues to report solid results, despite the ongoing pandemic challenges in some of its key markets in Asia.

Core earnings for Q3 2021 came in at $1.52 billion compared to $1.45 billion in the same period last year. For the first nine months of 2021 core earnings were $4.83 billion versus $4.04 billion in 2020.

Manulife operates insurance, wealth management, and asset management businesses primarily in Canada, the United States, and Asia. The American group is under the John Hancock brand name.

Asia represents the best growth opportunities in the coming years. The region has a large and growing population base with middle-class wealth increasing at a steady pace. This provides Manulife with attractive opportunities to sell insurance and wealth management products and services.

Manulife is unlocking about $2 billion in value through a deal to reinsure 75% of its variable annuities business in the United States. The move removes risk from the company when stock markets crash and should make the share price more attractive.

The company recently announced a dividend increase of 18% and intends to buy back up to 2% of its outstanding common stock. The new quarterly dividend payout of $0.33 per share provides an annualized dividend yield of 5.5% at the current share price near $24.

Manulife trades at about 7.1 times trailing 12-month earnings. That appears cheap right now, given the outlook for a continued economic recovery in 2022.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a leader in the North American energy infrastructure industry with vast pipeline networks that move oil and natural gas from producers to their customers. The volatility in commodity prices has little direct impact on Enbridge. The company simply acts as a tollbooth.

The oil pipelines are the largest part of the business, but Enbridge's natural gas transmission, storage, and distribution operations are significant in the market. In fact, Enbridge moves about 20% of the natural gas used in the United States. It's gas utility businesses supply essential fuel to millions of Canadian homes and businesses.

Enbridge is also expanding its renewable energy group with investments in solar and wind projects.

Enbridge just added $1.1 billion in in natural gas and renewable energy investments to the capital portfolio. The company has a steady stream of capital projects that should come in around $6 billion per year to drive growth. As a result, management expects to see distributable cash flow increase by 5-7% per year over the medium term. The board just raised the dividend for the 27th straight year, bumping up the payout by 3%.

Investors who buy the stock now can pick up a solid 7% dividend yield.

The bottom line on top stocks for a TFSA retirement fund

Manulife and Enbridge are leaders in their sectors and pay attractive dividends with above-average yields. The stocks appear cheap right now and should deliver solid total returns for a self-directed TFSA pension.

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