Retiree Wealth: 2 Top Dividend Stocks to Buy Now for 2022 Passive Income

Description

Canadian pensioners are searching for top undervalued TSX dividend stocks that pay above-average yields.

Suncor Energy

Suncor (TSX:SU)(NYSE:SU) had a rough ride in 2020. The board slashed the dividend by 55% to protect cash flow amid plunging oil prices, driven by falling fuel demand. Suncor is Canada's largest integrated energy firm with refining and retail businesses in addition to the oil sands production assets. All three segments took a beating during the 2020 lockdowns, but 2021 has been a much better year and 2022 should deliver strong returns for investors.

Suncor generated robust operating cash flow and earnings in Q3 2021, supported by a rebound in both oil prices and higher fuel demand. The company expects production to increase by 5% in 2022, while capital expenditures are now expected to be $300 million less than previous guidance. That should mean more cash for investors.

The price of oil is off the 2021 highs, but it still trades at a very profitable level. As the global economic recovery expands in the next couple of years, the oil market could get tight. Producers slashed investment in 2020 and 2021, and there is a chance new output won't be able to keep up with the demand surge. Calls for US$100 per barrel are less common now than they were a few months ago, but some analysts still see oil hitting that level in the medium term.

Suncor's board raised the dividend by 100% when the company reported the Q3 2021 results. This brings the payout back to the 2019 level. Investors could see another distribution increase in the first half of 2022. Suncor's balance sheet is back in good shape, and management wants to regain investor confidence.

The stock looks oversold at the current share price near $30.50 and offers an attractive 5.5% dividend yield.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has a 65-year track record of growth driven by strategic acquisitions and internal projects. The company provides a wide variety of midstream service to energy producers. The one-stop-shop nature of the asset mix gives Pembina Pipeline an advantage in the sector.

Along with pipeline services, Pembina Pipeline also has natural gas gathering and processing facilities, logistics operations, and a growing propane export business. In addition, Pembina Pipeline is evaluating carbon-sequestration and liquified natural gas opportunities.

A pullback in the broader energy infrastructure industry is giving investors a chance to buy Pembina Pipeline and its peers at attractive levels. Pembina's CEO recently announced he is leaving the company to pursue other opportunities. This might have contributed to the latest dip in the stock, but it shouldn't be an issue for shareholders.

The share price is down to $38.50 at the time of writing compared to $43 in November. The pullback appears overdone, and investors who buy now can pick up a 6.5% dividend yield.

The bottom line on top stocks for passive income

Suncor and Pembina Pipeline pay generous dividends that offer above-average yields. The stocks look cheap right now and should deliver attractive total returns in 2022 and beyond. If you have some cash to put to work in a self-directed income portfolio, these companies deserve to be on your radar.

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