



TFSA Investors: 3 Top TSX Stocks to Buy for Passive Income in 2022

Description

The TFSA limit for 2022 is \$6,000. Investors who use the TFSA to generate tax-free passive income are now lining up top income stocks to buy in January.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) looks undervalued right now at \$60 per share. The stock traded for \$75 before the pandemic and is off the 2021 high near \$68.

TC Energy has a long track record of dividend growth, and that is expected to continue in the coming years supported by the \$29 billion capital program. The company recently reduced the dividend-growth guidance to 3-5% per year from 5-7%, as it channels more funds to ongoing projects. The change led to the recent drop in the stock price, but the reaction appears overdone.

TC Energy's stock currently offers a solid 5.75% dividend yield.

CIBC

CIBC ([TSX:CM](#))([NYSE:CM](#)) is Canada's number five bank based on market capitalization. Investors often overlook CIBC in favour of its peers due to its size and its perceived higher risk profile. It is true that CIBC has had some missteps in the past, but the management team has done a good job in the last decade to diversify the revenue stream through U.S. acquisitions and reduce risk exposure.

CIBC reported strong fiscal 2021 results, and the bank should continue to deliver solid results in 2022 and the coming years. Interest rates are expected to move higher in 2022. This will put some pressure on borrowers who are over-leveraged and could slow down the hot housing market, but higher interest rates are typically a net positive for the banks, as they can generate better net interest margins.

CIBC stock has doubled off the 2020 low, but the share price still appears attractive at 10.5 times trailing 12-month earnings.

The board recently increased the dividend by about 10%. Investors can now pick up an annualized dividend yield of 4.4%.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is one of those dividend stocks income investors can buy and forget for decades. The company gets most of its revenue from regulated businesses and has a knack for driving growth through strategic acquisitions and development projects.

The current \$20 billion capital plan will significantly increase the rate base over the next five years. As a result, Fortis intends to raise the dividend by an average annual amount of 6% through at least 2025. That's great guidance for income investors.

Fortis increased the payout in each of the past 48 years. The steady performance is one reason the stock price tends to hold up well when the broader market hits a rough patch.

The stock isn't cheap, but you pay for the reliability and the quality of the dividend growth. At the time of writing, Fortis stock provides a 3.5% yield.

The bottom line on top stocks to buy for a TFSA in 2022

TC Energy, CIBC, and Fortis are good companies with strong track records of providing investors with long-term dividend growth and capital appreciation.

If you are searching for top stocks to buy in a self-directed TFSA focused on passive income these companies deserve to be on your radar for 2022.

CATEGORY

1. Dividend Stocks
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2. NYSE:FTS (Fortis Inc.)
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Author

aswalker

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