2 Top Dividend Stocks to Own in 2022

Description

Canadian TFSA and RRSP investors are searching for top TSX dividend stocks to add to their portfolios this year. With market volatility expected to increase after the big rally in 2021, investors might want to buy some defensive picks that can offer attractive total returns.

Telus

Telus (TSX:T)(NYSE:TU) is Canada's second-largest communications company with a market capitalization of $37 billion.

The business performed well in 2021, despite the ongoing COVID-19 challenges that put a dent in lucrative roaming fees. It might be the back half of 2022 before holiday and business travel ramps up again, but there should be an improvement this year.

Telus reported consolidated revenue growth of 6.8% in Q3 2021 compared to the same period last year. Consolidated EBITDA growth was 7.1% and net income jumped 11.5%.

As a result of the strong performance and positive outlook for 2022 Telus raised the dividend by 5.2% when it announced the Q3 numbers. This is a solid payout increase especially when you consider the amount of money Telus is investing in network upgrades from copper to fibre and the expansion of its 5G network. Management says the heavy capital expenditures should start to wind down in 2023. This would potentially leave extra cash available for larger dividend increases.

Long-term prospects look good for the company. Telus Health and Telus Agriculture are growing at attractive rates and could become significant contributors to revenue down the road.

Telus is a good buy-and-hold defensive stock for income investors as well as for those who are building retirement portfolios. At the time of writing, the stock provides a 4.45% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest bank with a market capitalization of $110 billion. The company delivered solid fiscal Q4 and full-year 2021 results, and the outlook for the bank is positive in 2022.

Interest rates are expected to increase in Canada and the United States this year. Some analysts expect the U.S. Federal Reserve to raise rates up to four times in 2022. The Bank of Canada could make similar moves. This will put pressure on highly leverage borrowers with variable rate loans and the hot housing market might cool off. However, higher interest rates are generally considered to be positive for the banks, as they help boost net interest margins and enable the banks to generate better returns on cash they need to set aside to cover deposits.

Bank of Nova Scotia's international business, which is focused on Latin America, took a hit during the pandemic, but the last quarterly results showed that the businesses is recovering, and the trend should continue through this year.

The stock still appears reasonable, trading at less than 12 times trailing 12-month earnings.

Bank of Nova Scotia recently increased the dividend by 11% and is buying back shares. Investors who buy the stock now can pick up a 4.4% dividend yield.

The bottom line on top dividend stocks to buy for 2022

Telus and Bank of Nova Scotia are top Canadian dividend stocks that generate strong profits and have great track records of distribution growth. If you are searching for good stocks to buy in 2022 for income or total returns, these companies deserve to be on your radar.

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