



Fight Inflation: 3 Top TSX Dividend Stocks to Buy Now in Your TFSA

Description

Retirees and other [TFSA](#) investors seeking passive income are searching for reliable Canadian dividend stocks that can generate enough returns to offset inflation.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a key player in the midstream segment of the Canadian energy [sector](#). The company has a 65-year history of growth and is positioned well to benefit from the rebound in the oil and gas markets.

Pembina Pipeline operates gas-gathering and gas-processing assets. It has extensive pipeline operations and a propane export terminal. The company is also evaluating new projects that include a liquified natural gas (LNG) partnership and possible investments in carbon sequestration.

The balance sheet is in good shape and management plans to direct the first \$200 million of excess cash flow towards share buybacks in 2022 after covering dividends and capital investments.

Pembina Pipeline pays a monthly dividend of \$0.21 per share. Investors who buy the stock at the current price of \$40 can pick up an annualized yield of 6.3%.

Manulife

Manulife ([TSX:MFC](#))([NYSE:MFC](#)) rewarded patient investors with a dividend increase of 18% when it announced strong Q3 2021 earnings results. The stock trailed its peers in the financial sector through most of 2021 but is finally catching the eye of value investors.

The new quarterly payout of \$0.33 per share provides an annualized yield of 5.1% at the current share price of \$25.80. Manulife is also planning to buy back up to 2% of its common stock under a new share-repurchase program.

In November, Manulife announced a deal to reinsure 75% of its U.S. variable annuities business. The agreement releases roughly \$2 billion in capital and will result in a one-off after-tax gain of about \$750 million when it closes in Q1 2022.

The move reduces Manulife's equity market risks, while still keeping the business on track to deliver annual earnings growth of 10-12% per share and return on equity of 13% over the medium term.

Manulife still looks [undervalued](#) near \$26 and should provide solid dividend growth and attractive total returns in the coming years.

TransAlta Renewables

TransAlta Renewables ([TSX:RNW](#)) owns and develops power generation and battery storage assets in Canada, the United States, and Australia.

The company grows through a combination of strategic acquisitions and organic projects centred on renewable energy. TransAlta Renewables currently owns or has positions in solar, hydroelectric, and wind facilities along with gas-fired power plants.

In the fall of 2021 TransAlta announced plans to proceed with a 48 MW solar project that will be in service in 2022. The company also completed the acquisition of a solar project in North Carolina and finished construction of its 206 MW Windrise facility in Alberta near the end of the year.

These projects will add to revenue and cash flow in 2022 and help offset the hit from the shutdown of the Kent Hills wind facility that has occurred due to problems with the tower foundations.

This is a contrarian pick. The stock had a rough run in the past 12 months, falling from \$23 per share to the current price of \$17. TransAlta now appears oversold, and investors can pick up a 5.5% annualized dividend yield.

The bottom line on top TSX stocks for TFSA income

Pembina Pipeline, Manulife, and TransAlta Renewables all pay attractive dividends that currently provide yields above Canada's inflation rate of 4.7%. If you have some cash to put to work in a TFSA income portfolio, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:PPL (Pembina Pipeline Corporation)

5. TSX:RNW (TransAlta Renewables)

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