TFSA Passive Income: 2 Top Stocks for Retirees to Buy in 2022

Description

Canadian pensioners are searching for top TSX dividend stocks with growing distributions to generate reliable passive income inside their TFSA portfolios.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) went through an important transition before the pandemic that enabled the company to get through the past two years in good shape. Management monetized about $8 billion in non-core assets and streamlined the corporate structure by bringing four subsidiaries under the roof of the parent.

These efforts shored up the balance sheet and made it easier for investors to evaluate the business. Enbridge saw its oil pipeline operations take a hit in 2022, as throughput dropped due to the plunge in fuel demand. The situation corrected itself last year, and Enbridge is poised to deliver solid results in 2022 and beyond.

The board raised the dividend by 3% for 2022 and intends to buy back about 1.5% of the outstanding stock. Enbridge expects distributable cash flow to increase by 5-7% over the medium term, so the upcoming annual dividend increases could be in that range.

The company is driving growth through investments in its natural gas and renewable energy businesses. Enbridge also has the financial clout to make strategic acquisitions. The recent US$3 billion purchase of an oil export facility in the United States is a good example. Consolidation in the energy infrastructure sector is expected to continue in the next few years, and Enbridge will likely participate when appealing deals arise.

Critics of the energy infrastructure sector say that pipeline growth is a dead business. That’s likely the case for major oil pipeline projects, but oil demand and production are not going to slow down for years, and the product still has to get from producers to customers. This should make Enbridge’s existing network more valuable when no new projects are getting built.

The stock appears cheap at the current share price near $51.50 and provides a 6.7% dividend yield.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) took a beating over the past year, as investors dumped renewable energy stocks and the company hit some unexpected operational snags. TransAlta Renewables experienced an unplanned shutdown at a gas-fired power plant and then found out that it needs to halt its entire Kent Hills wind facility while it replaces faulty foundations on 50 turbines.

As a result, the stock price is down 23% in the past 12 months. The bad news appears to be priced into the shares at this point, and investors have a chance to buy TransAlta stock at a discount and collect an attractive 5.5% dividend yield.

The repairs on the Kent Hills sites should be done by the end of 2023. TransAlta Renewables put new assets into service in late 2021, and additional revenue is expected this year from a recent acquisition and the completion of other projects. This will help offset the lost revenue from Kent Hills.

It wouldn't be a surprise to see the share price move 20% higher by the end of the year.

The bottom line on top passive-income stocks to buy now

Enbridge and TransAlta Renewables appear attractive right now for TFSA investors seeking high-yield dividend stocks for passive income. If you have some TFSA cash to put to work in a portfolio focused on dividends, these stocks deserve to be on your radar.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:RNW (TransAlta Renewables)

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