2 Cheap TSX Stocks to Buy Now for a Retirement Fund

Description

The **TSX Index** is starting to give back some gains in certain sectors. Investors who missed the rally last year can now find some top Canadian stocks trading at cheap prices for their self-directed RRSP.

Algonquin Power

Algonquin Power (TSX:AQN)(NYSE:AQN) took a hit last year, as investors dumped renewable energy stocks. The company certainly has non-regulated renewable energy assets like wind and solar facilities that would put it in that crowd, but Algonquin Power also has regulated utility businesses and that group is getting larger.

The company is in the process of buying Kentucky Power in a US$2.85 billion acquisition that will increase the electric utility customer base by 19% and add US$2 billion in regulated rate base assets. This will shift the business mix to about 80% regulated operations.

Algonquin Power is moving deeper into the regulated utility category and becoming less of a renewable energy play. The benefit is that revenue and cash flow should be more reliable and predictable for investors.

Algonquin Power announced a US$12.4 billion capital program for 2022 to 2026. Approximately 70% of the investments will go towards regulated projects.

Management expects adjusted net earnings to increase by 7-9% per year through 2022. That's decent guidance and the improved cash flow should support steady dividend increases.

Algonquin Power raised the payout by 10% annually over the past decade. The current distribution provides a 4.9% dividend yield.

AQN stock trades below $18 per share at the time of writing. That's down from more than $22 in early 2021. The stock appears undervalued and should start to move higher once the Kentucky Power deal closes.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $52.50 per share at the time of writing compared to a recent high around $55.50. The pullback should be viewed as a good opportunity for retirement investors to buy ENB stock for their TFSA or RRSP portfolios.

Enbridge has the ability to grow through strategic acquisitions and organic projects. Investors likely won't see massive new oil pipelines get built, but the company has attractive smaller growth opportunities across the asset base. Management announced $1.1 billion in new projects focused on renewable energy and natural gas infrastructure when Enbridge released the 2022 financial plan. The company is also developing partnerships to build carbon capture and storage hubs.

Enbridge raised its dividend by 3% for 2022. This is the 27th consecutive annual increase to the payout. Management expects distributable cash flow to increase by 5-7% per year over the medium term. That should support ongoing dividend hikes.

Investors who buy the stock at the current price can pick up a 6.5% dividend yield.

Enbridge is a giant in the energy infrastructure industry moving 25% of the oil produced in the U.S. and Canada and 20% of the natural gas used in the United States. Oil and natural gas demand is surging and the global market for the fuels is expected to grow for years.

The bottom line on cheap stocks to buy now for retirement

Algonquin Power and Enbridge pay attractive dividends that should continue to grow at a steady pace. The stocks look cheap right now and should be solid buy-and-hold picks for retirement investors seeking decent dividend yields and solid total returns.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
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