TFSA Passive Income: 2 Top TSX Stocks to Buy Now

Description

Canadian retirees and other TFSA dividend investors are searching for top TSX stocks that pay reliable and growing distributions. With markets expected to be volatile in the coming months, it makes sense to search for stocks that have limited exposure to geopolitical risks.

BCE

BCE (TSX:BCE)(NYSE:BCE) reported solid Q4 and full-year 2021 results. Canada's largest communications firm saw revenue and adjusted EBITDA essentially return to pre-pandemic levels in 2021.

Adjusted net earnings rose 6% to nearly $2.9 billion in 2021 compared to the previous year. Operating revenue increased 2.5% and adjusted EBITDA rose 3%.

BCE generated $3 billion in free cash flow in 2021. That was down 10.5% compared to 2020 as a result of a large jump in capital expenditures. BCE invested $4.8 billion in new network infrastructure and other capital initiatives in the year compared to $4.2 billion in 2020.

Management has a positive view on 2022. BCE expects to extend its fibre-to-the-premises program to 900,000 new locations this year. The company is also expanding its 5G network. BCE spent $2 billion on new 3,500 Mhz spectrum last summer in the government auction.

The board raised the dividend by 5.1% for 2022. The new annualized payout of $3.68 per share provides a yield of 5.5% at the time of writing.

BCE's media business started to recover in 2021, and that trend should continue this year, as the sports teams get back to playing in front of full arenas and businesses spend more on advertising. The mobile division should also see a jump in lucrative roaming fees as business people and vacationers take more trips.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with $58 billion in assets located across Canada, the United States, and the Caribbean.

The company has grown considerably through a combination of strategic acquisitions and capital projects. The current $20 billion capital program through 2026 is expected to increase the rate base by about a third. A a result, cash flow should increase steadily to support targeted dividend growth of about 6% per year until at least 2025. That’s great guidance for TFSA investors who rely on steady and growing payouts from their savings.

Fortis gets 99% of its revenue from regulated assets. This means the cash flow tends to be predictable and reliable. The businesses include power generation, electric transmission, and natural gas distribution operations. These are essential services that people and businesses need regardless of the state of the global financial markets or geopolitical conditions.

Fortis raised the dividend in each of the past 48 years. The share price is down a bit from the 12-month high, so investors have a good opportunity to buy Fortis stock on a dip and can now collect a 3.7% yield.

The bottom line on top stocks to buy for passive income

BCE and Fortis pay attractive dividends that should continue to grow at a steady pace for years. The companies enjoy wide competitive moats in their respective sectors and are good defensive picks for investors who are concerned about market instability. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

CATEGORY

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