2 Cheap Dividend Stocks to Buy Now for Passive Income

Description

The market is finally giving investors focused on passive income a chance to buy some top dividend stocks at very attractive prices.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) had a strong 2021, and the outlook for 2022 and beyond should be positive. The global insurance and wealth management firm reported record net earnings of $7.1 billion last year, supported by global wealth and asset management net inflows of $27.9 billion compared to $8.9 billion in 2020.

The board raised the quarterly dividend by 18% for 2022 and Manulife launched a share-repurchase program that will allow the company to buy back up to 5% of its outstanding stock over the next 12 months.

Manulife's international operations throughout Asia offer strong growth potential in the coming years and decades. The expansion of middle-class wealth will drive new demand for insurance and investment products.

Closer to home, the Bank of Canada and the U.S. Federal Reserve are expected to start raising interest rates to battle persistent inflation. Higher rates tend to be good for the insurance sector, as the firms can generate better returns on the cash they have to keep liquid to cover potential insurance claims.

The stock is down to $25 from the $28 it hit last month, so there is an opportunity to start a new position on a nice dip. Investors who buy at the current price can pick up a solid 5.3% dividend yield.

TransAlta Renewables

TransAlta Renewables (TSX:RNW) trades near $17.75 at the time of writing compared to $22 last

August. The stock fell out of favour after TransAlta Renewables reported a series of operational challenges. The company suffered an unplanned shutdown at a gas-fired power plant. It then found out that the foundations on 50 wind towers at the Kent Hills sites in New Brunswick need to be replaced.

The situation is being addressed and the wind assets will be back in service in 2023. TransAlta Renewables provided positive guidance for 2022. Despite the loss of revenue from the Kent Hills sites, the company expects adjusted EBITDA to grow by 9% this year compared to 2021, supported by revenue increases coming from new assets that went into service late last year as well as the impact from recent acquisitions. TransAlta Renewables will also see a full year of revenue from the power plant that went down in 2021.

The stock appears undervalued right now, even after the latest pop on the positive 2022 guidance. Investors should see the share price drift higher over the next couple of years. This is a good stock to buy if you are searching for renewable energy options for your portfolio.

At the time of writing, TransAlta Renewables provides a 5.3% dividend yield.

The bottom line

Manulife and TransAlta Renewables trade at cheap prices right now and pay attractive dividends with above-average yields. If you have some cash to put to work in a portfolio focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:RNW (TransAlta Renewables)

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