2 Cheap Dividend Stocks for Retirees to Buy Now

Description

Canadian seniors are searching for undervalued dividend stocks to add to their TFSA portfolios focused on passive income.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) is a leader in the Canadian insurance and wealth management industry. The company also has a large presence in the United States under its John Hancock brand. In addition, Manulife has growing operations throughout Asia. The Asia group arguably holds the most growth potential in the coming years with Manulife positioned well in several markets where the expansion of middle-class wealth will drive demand for insurance and investment products.

The board raised the dividend by 18% last fall, and Manulife is using excess cash to buy back up to 5% of the outstanding common stock over a 12-month period.

The share price jumped higher in the past couple of weeks but has lagged the rally seen by insurance peers and other financial stocks in the last year. The back half of 2022 could be the time Manulife stock kicks into gear.

Why?

The Bank of Canada and the U.S. Federal Reserve have started the process of increasing interest rates. The trend is expected to pick up speed in the coming months and continue through 2023. Higher interest rates tend to be positive for insurance companies, as the firms can earn better returns on the cash they have to set aside to cover potential claims.

Manulife still looks cheap at the current share price near $26.50 and offers investors a 5% dividend yield.

TransAlta Renewables

Investors are finally starting to realize that **TransAlta Renewables** (TSX:RNW) is undervalued. The stock looks like it bottomed out below $16.50 earlier this year and is now back to $18.50 at the time of writing. That's still well off the 2021 high above $23.50.

The renewables sector came under pressure last year when investors decided to book profits after a nice run through the end of 2020. TransAlta Renewables also ran into some operational difficulties in 2021 that put added pressure on the share price. The company had unplanned downtime at a gas-fired power plant in Ontario and then found out that 50 of its wind turbines in New Brunswick need new foundations. The revenue hit due to the stoppage of operations, and the expense of getting the facilities back in shape upset investors who bailed out of the stock.

All the bad news should already be priced into the shares, and the wind turbines at Kent Hills will eventually go back into service. In the meantime, TransAlta Renewables is generating new revenue as a result of recent acquisitions and the completion of capital projects.

The stock should continue to drift higher over the next couple of years. Investors who buy now can pick up a decent 5% yield.

The bottom line on cheap dividend stocks to buy today

Manulife and TransAlta Renewables look undervalued right now in a market that is probably overbought. The stocks offer above-average dividend yields and should deliver decent total returns over the medium term. 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

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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