New Investors: 2 Top Dividend Stocks for TFSA Passive Income in Retirement

Description

Canadian savers are looking for ways to build significant TFSA retirement holdings that will provide steady and growing passive income.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a leader in the North American energy infrastructure sector. The company operates nearly 29,000 km of oil and gas liquids pipeline infrastructure, making it the longest crude oil transportation system in the world. Enbridge moves roughly 30% of the oil produced in Canada and the United States and owns the third-largest natural gas utility in the two countries based on customer accounts. Enbridge also has a growing renewable energy division and is getting into the new segment of carbon sequestration and storage.

Energy companies took a hit during the worst of the pandemic, but the rebound in oil prices has more than made up for the rough ride and strong demand for Canadian and U.S. oil is expected to continue for years. Global producers slashed investment by hundreds of billions of dollars during the downturn. The result is a tight international market that will require time to ramp up the production needed to meet anticipated demand growth. At the same time, sanctions against Russia are driving prices even higher.

The result should be a ramp up of production by North American producers in the next few years and that bodes well for Enbridge.

The company raised the dividend by more than 3% for 2022. Management expects distributable cash flow to increase by 5-7% per year over the medium term. That should enable the board to extend the 27-year streak of dividend hikes.

The share price picked up a nice tailwind in the past few months but still looks attractive given the positive outlook for the oil and gas industry. Investors who buy Enbridge stock at the time of writing can get a solid 5.9% dividend yield.

Royal Bank

Royal Bank (TSX:RY)(NYSE:RY) generated more than $16 billion in earnings in fiscal 2021. The banking giant is not only Canada's largest with a market capitalization of $195 billion, but it also ranks among the top 10 in the world.

Royal Bank has a balanced revenue stream coming from consumer and commercial banking, wealth management, capital markets, investor and treasury services, and insurance. Canadian operations generate the largest part of the profits, but Royal Bank also has a strong commercial and wealth management presence in the United States and recently announced a $2.6 billion acquisition in the U.K. to expand its wealth management business in Europe.

Royal Bank increased the dividend by 11% late last year. Investors should see another large dividend increase for 2023. In addition, the bank is using excess cash to buy back shares and more deals to drive growth could be on the way.

The stock trades near $137 per share at the time of writing. That's down from the 2022 high of $149, so investors have a chance to buy RY stock on a nice dip. The current dividend provides a yield of 3.5%.

Long-term retirement investors have enjoyed great total returns from Royal Bank.

The bottom line on top dividend stocks for new investors

Enbridge and Royal Bank are leaders in their industries and pay solid dividends that should continue to grow for decades. If you have some cash to invest in a TFSA focused on passive income for retirement, these stocks deserve to be on your radar as anchor picks.

CATEGORY

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