



2 Cheap Dividend Stocks for New TFSA Investors

Description

Despite the big rally off the 2020 crash, the **TSX Index** still offers new TFSA investors some top dividend stocks trading at [undervalued](#) prices for a [retirement](#) portfolio.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is somewhat unique among the large Canadian banks due to its international business located in Latin America. The bank has invested billions of dollars over the past decade to build a significant presence in Mexico, Peru, Chile, and Colombia. The four countries are members of the Pacific Alliance trade bloc that enables the free movement of goods, capital, and labour.

In total, the combined market is home to more than 230 million people, offering big potential growth for Bank of Nova Scotia, especially when penetration of banking services is well below what you see in Canada and other developed economies. As the middle class expands, Bank of Nova Scotia has an opportunity to expand its loan and wealth management segments in these countries. Bank of Nova Scotia is also positioned well to benefit from commercial banking opportunities, as businesses move into other markets and require cash-management services.

The stock trades near \$84.50 at the time of writing. That's down from \$95 earlier this year. At 10.5 times trailing earnings Bank of Nova Scotia is beginning to look cheap for buy-and-hold [TFSA](#) investors. The board raised the dividend by 11% for fiscal 2022, and a large increase is likely on the way for 2023. Investors who buy the stock at the current price can pick up a 4.75% dividend yield.

Bank of Nova Scotia is sitting on significant excess cash it built up to ride out the pandemic. The bank recently announced a 50% increase to the number of shares it plans to buy under the repurchase program. Bank of Nova Scotia also used part of the cash hoard to bump up its ownership of Bank of Nova Scotia Chile.

Further downside is possible in the near term, as the market tries to evaluate the impact of rising bond yields and higher interest rates on the banks, but additional weakness should be viewed as an

opportunity to add to a position in BNS stock.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) is up 30% so far in 2022, but the stock still looks cheap. The share price is currently \$43. That's just about back to where it was before the pandemic. However, WTI oil now trades for US\$108 per barrel. It was US\$60 in early 2020 before the crash.

Suncor's upstream division is making significant profits in the current environment and oil prices are expected to remain elevated for some time. Demand is rebounding, while sanctions on Russia and underinvestment in new production are keeping supply tight.

Suncor also operates refining and retail businesses that should perform well in the second half of 2022, as airlines boost capacity and commuters start heading back to their offices.

Investors could see a large dividend increase when Suncor announces Q1 or Q2 2022 earnings. The board still has to make up some ground on the 2020 distribution cut and that could come quickly. At the time of writing, investors can pick up a 3.9% dividend yield.

The bottom line on cheap dividend stocks

Bank of Nova Scotia and Suncor pay attractive dividends that should grow at a steady pace in the coming years. The stocks look cheap right now and should be attractive picks for a self-directed TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:SU (Suncor Energy Inc.)

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Author

aswalker

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