2 Top TSX Dividend Stocks to Buy Now for Passive Income

### Description

Retirees and other investors seeking passive income are searching for top TSX dividend stocks that pay attractive yields and will continue to raise their payouts in the coming years.

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## TD Bank

**TD** (TSX:TD)(NYSE:TD) raised its dividend by 13% for fiscal 2022. The bank has a great track record of dividend growth averaging better than 10% per year over the past two decades. TD made it through the worst of the pandemic in good shape, helped by government assistance that allowed homeowners and businesses to keep making their loan payments. A surge in home sales driven by low interest rates and a soaring stock market also fueled strong profits.

TD built up its cash position to ride out the uncertain times and finished fiscal 2021 with a CET1 capital ratio of more than 15%. This is a measure of the capital the company has in place to survive a major shock. The banks are required to have a CET1 ratio of 9%, so TD is sitting on significant excess funds.

Management is using a good chunk of the money to make a strategic acquisition in the United States. TD is buying First Horizon for US$13.4 billion. The deal will significantly increase TD's size in the American market, making TD one of the top six retail banks in the country. Investors will see an immediate boost to earnings, and the acquisition should deliver solid revenue growth in the coming years.

TD's share price is down from the 2022 high of $109 to about $94 at the time of writing. At this level, the dividend provides a 3.8% yield. The stock could see more downside in the near term amid broader market volatility, but the shares are starting to look attractive at less than 12 times trailing 12-month earnings.

Buying TD on dips has historically proven to be a savvy move for buy-and-hold income investors.

## Fortis

**Fortis** (TSX:FTS)(NYSE:FTS) raised its dividend in each of the past 48 years. That's the kind of distribution growth investors want to see for a portfolio focused on passive income.

Fortis increases its revenue through a combination of strategic acquisitions and organic projects. The company is currently working on a $20 billion capital program that will see Fortis boost its rate base from $31.1 billion to $41.6 billion by the end of 2026. The resulting revenue and cash flow increase is expected to support average annual dividend increases of 6% through 2025.

Fortis has additional projects under consideration that could upgrade the growth profile in the next few years. These include the $1.7 billion Lake Erie Connector Project and $2.5-4.5 billion in projects at UNS Energy, among others.

Fortis is a good defensive stock to hold in an income portfolio. The company gets 99% of its revenue from regulated utility assets. This means cash flow tends to be predictable and reliable, even when the economy or global financial markets hit a rough patch.

At the time of writing, Fortis stock provides a 3.3% yield.

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## The bottom line on top stocks for passive income

TD and Fortis are top TSX dividend stocks with great track records of distribution growth. If you have some cash to put to work in a portfolio focused on passive income, these stocks deserve to be on your radar.

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1. Dividend Stocks
2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
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**Date**
2025/08/29
**Date Created**
2022/04/24
**Author**
aswalker

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