TFSA Pension: 2 Stocks to Buy on the Latest Pullback

Description

TFSA investors are finally getting a chance to buy some top TSX dividend stocks at reasonable prices for a self-directed retirement fund.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is off to a good start in fiscal 2022. The bank reported Q1 net income of $2.74 billion, up from $2.4 billion in the same period last year.

Canadian Banking operations saw adjusted net income increase by 32% year over year in the first quarter to $1.21 billion. International Banking continues to recover after a rough ride in 2020 and early 2021. Adjusted net income for the division was $552 million compared to $398 million in Q1 2021. Global Wealth Management net income slipped 1% or $6 million to $412 million. Global Banking and Markets, which includes the investment banking operations, generated net income of $561 million, up 3% compared to the first quarter of last year.

Overall, the bank delivered solid results and finished the quarter with a CET1 capital ratio of 12%. This means Bank of Nova Scotia has adequate capital to make strategic investments and still return capital to shareholders. Bank of Nova Scotia recently increased its share-buyback target by 50% to 36 million shares under the current repurchase program. This represents about 3% of the outstanding stock. The company also announced a $1.3 billion deal to increase its stake in Scotiabank Chile to 99.8%.

The board raised the dividend by 11% for 2022. Another large increase is likely on the way for fiscal 2023.

The stock is down from $94.50 in February to $85.50 at the time of writing and provides a 4.7% dividend yield. At the current multiple of less than 11 times trailing 12-month earnings, the stock is beginning to look undervalued.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) trades near $158 per share at the time of writing compared to $170 at the end of March. The company is a leader in the North American rail industry with a unique network of tracks that gives CN a competitive advantage in the sector. CN is the only rail company with routes that connect to ports on three coasts.

CN had a rough run in 2021 with all the distractions around its attempt to buy Kansas City Southern, a smaller U.S. railway that has routes connecting to Mexico. The bid set off a battle with a major shareholder that opposed the move and eventually led to a change of leadership at the beginning of 2022. Things have settled down in the past few months, and CN is now focused on driving more efficiency into the business and returning capital to shareholders.

CN raised the dividend by 19% for 2022. The company is also buying back up to 6.8% of the outstanding common stock under the current 12-month share-repurchase program. Management expects free cash flow to be $4 billion 2022 compared to $3.3 billion in 2021. That should set the stage for another generous dividend increase next year.

Buying CN shares on a pullback has historically proven to be a savvy move for long-term investors.

The bottom line

Bank of Nova Scotia and CN are top dividend stocks with payouts that should continue to grow in the coming years. If you have some cash to put to work in a self-directed TFSA focused on total returns, these stocks look attractive at their current share prices.

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3. TSX:BNS (Bank Of Nova Scotia)
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