



TFSA Pension: 2 Cheap TSX Dividend Stocks to Buy Now

Description

Canadian [TFSA](#) investors are searching for cheap dividend stocks to add to their self-directed retirement portfolios.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) traded for \$109 per share earlier this year. Investors can now buy the stock for close to \$93 and get a 3.8% dividend yield.

Concerns about an economic slowdown and rising mortgage rates have hit the banks in recent weeks. The implementation of a higher income tax on bank profits also hasn't helped. Near-term volatility should be expected and the stock might move even lower before it bottoms out, but investors with a buy-and-hold [strategy](#) in their TFSA retirement fund might want to start adding TD stock to their portfolios at this level.

TD is a very profitable bank, and its American business is about to get a lot bigger. The company is buying First Horizon for US\$13.4 billion in a move that will make TD one of the top-six retail banks in the United States. TD already has extensive operations in the U.S. market that run from Maine down the east coast to Florida, so the addition of First Horizon, which is focused on markets in the U.S. southeast, makes sense. The acquisition adds more than 400 branches.

At the current share price, TD trades for a reasonable 11.7 times trailing 12-month earnings. Market fears might be overdone at this point. The board raised the dividend by 13% for fiscal 2022. Another large increase is likely on the way for 2023.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) recently surged on news that an activist investors, Elliott Investment Management, is seeking to shake up the board of directors, and the senior ranks of Suncor's management team.

Suncor's stock has underperformed its peers over the past two years, as oil prices rebounded off the 2020 lows. Suncor cut its dividend by 55% in 2020 to ride out the downturn, but the other major oil sands producers kept their distributions in place. This upset investors, and Suncor has paid the price ever since, even after it increased the dividend by 100% late last year to bring it back to the 2019 level.

Suncor has also struggled with operational challenges and safety issues. These will eventually get resolved, and investors could see a generous dividend increase when Suncor reports its Q1 2022 results.

Suncor used to be the top pick for investors in the Canadian oil patch due to its integrated business structure that includes oil production, refining, and retail businesses. The rebound in fuel demand should boost returns in the downstream business this year while the production operations continue to generate healthy profits.

Suncor trades near \$47 per share at the time of writing. That's up from \$40 a few days ago, but the stock still appears [undervalued](#). WTI oil trades above US\$100 per barrel and is expected to stay at an elevated price for some time, as global demand increases, while producers struggle to increase output as a result of significant cuts to exploration and development investments over the past two years. New sanctions against Russia should provide additional support to oil prices.

Suncor traded for \$44 per share before the pandemic when WTI was just US\$60 per barrel, so there should be some decent upside if oil remains near current prices. The dividend provides a 3.5% yield.

The bottom line on top dividend stocks for a retirement fund

TD and Suncor pay attractive dividends that should continue to grow. The stocks appear cheap right now and should deliver solid total returns in the coming years.

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2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:SU (Suncor Energy Inc.)
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