



## TFSA Pension: 2 Top Stocks to Buy for Passive Income

### Description

The [market pullback](#) is giving income investors a chance to buy great dividend stocks at cheap prices.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) traded for \$95 per share earlier this year. Investors can now buy the stock for close to \$81 and get a 4.9% dividend yield.

Why are bank stocks falling?

A yield inversion in the U.S. bond market is stoking fears of an economic slowdown. At the same time, rising mortgage rates are expected to cool off the hot Canadian housing market. New buyers face a five-year fixed rate of more than 4% right now compared to less than 2% at the pandemic low.

The government's decision to implement a higher income tax on bank profits also hasn't helped.

All of these factors have contributed to the drop in bank stocks in recent weeks. Near-term volatility should be expected, and Bank of Nova Scotia's share price 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 the stock to their portfolios at this level.

Bank of Nova Scotia is a very profitable bank, and its international operations in Mexico, Peru, Chile, and Colombia offer attractive long-term growth potential. The four countries form the Pacific Alliance trade bloc that allows the free movement of goods, capital, and labour. Banking penetration is low compared to Canada, so there is an opportunity to tap rising demand for loans and investment products as the middle class expands.

At the current share price, Bank of Nova Scotia trades for a reasonable 10.2 times trailing 12-month earnings. That's starting to look cheap as market fears might be overdone.

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

2023, despite the current market headwinds.

## BCE

**BCE** ([TSX:BCE](#))([NYSE:BCE](#)) trades for \$68 per share at the time of writing compared to the recent high of \$74. The dip gives income investors a chance to pick up a 5.4% dividend yield while looking forward to steady distribution increases in the next few years.

BCE raised its dividend by 5% for 2022. The board hiked the payout by at least that amount in each of the past 14 years. Management expects free cash flow to grow by 2-10% in 2022, so investors should feel confident the streak will continue.

BCE is making the investments required to protect its competitive position in the market and drive revenue growth in the coming years. The company's fibre-to-the-premises program will run fibre optic lines right to the building of another 900,000 customers this year. At the same time, BCE is expanding its [5G](#) network.

BCE has the power to pass on rising expenses to its customers, so this is a good stock to own in the current inflationary environment. The stock also serves as a solid defensive pick for a TFSA income portfolio. People and businesses need mobile and internet services regardless of the state of the economy.

## The bottom line on top income stocks for a TFSA

Bank of Nova Scotia and BCE are top dividend stocks that appear [undervalued](#) right now and offer above-average yields. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BCE (BCE Inc.)
4. TSX:BNS (Bank Of Nova Scotia)

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