TFSA Passive Income: 2 Defensive TSX Dividend Stocks to Buy Now

Description

Retirees and other income investors are searching for top defensive TSX dividend stocks to add to their self-directed TFSA portfolios.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) trades near $62 per share at the time of writing compared to the 2022 high around $65. The stock is holding up well in the market turbulence and should be a solid defensive pick for a portfolio focused on passive income.

Fortis reported good results for Q1 2022. Adjusted net earnings came in at $0.78 per share compared to $0.77 in the same period last year. Fortis has already spent $1 billion of its scheduled $4 billion in capital expenditures for the year. The company has a $20 billion capital program on the go that will boost the rate base from $31.1 billion at the end of 2021 to $41.6 billion in 2026.

As the new assets go into service, Fortis expects cash flow to grow enough to support average annual dividend increases of 6% through 2025. The board increased the payout in each of the past 48 years, so investors should feel comfortable with the guidance.

The company is evaluating other projects that could get added to the capital plan and boost the size of the payout increases or extend the dividend-growth outlook. Fortis also has a successful track record of making strategic acquisitions to drive growth. It wouldn't be a surprise to see Fortis announce another large deal in the next couple of years, as the utility sector consolidates.

At the time of writing, investors can pick up a 3.45% yield.

Telus

Telus (TSX:T)(NYSE:TU) provides mobile, internet, TV, and security services to Canadian customers across its world-class wireless and wireline networks. The company is investing significant funds to upgrade the wireline system from copper to fibre lines and continues to roll out the new 5G network.

Capital expenditures are expected to peak this year. This should free up more cash for distributions to shareholders in 2023 and beyond. Telus has a great track record of dividend growth. The board just increased the payout and intends to raise the dividend by 7-10% annually for 2023 to 2025.

Telus doesn’t own media assets, but it has been successful investing in new opportunities that leverage its technological expertise and offer strong growth potential in the coming years. Telus Health is already a leader in the Canadian segment for digital health solutions. Telus Agriculture is helping farmers make their businesses more efficient.

Telus is another stock that should hold up well when the broader market hits a rough patch. The company provides essential services and has the power to raise prices when its cost structure increases.

The stock trades near $31.50 at the time of writing compared to the 2022 high above $34.50. Investors who buy at the current price can pick up a 4% dividend yield.

The bottom line on top stocks for passive income

Fortis and Telus are strong dividend-growth stocks to consider right now for a TFSA focused on passive income. They might not offer the highest yields in the market, but they deserve to be on your radar if you are of the opinion the broader market could extend the recent pullback into a full-blown correction.

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