TFSA Passive Income: 2 TSX Dividend Stars to Buy on the Latest Dip

Description

The recent drop in the **TSX Index** is providing TFSA investors with an opportunity to buy some top Canadian dividend stocks at cheap prices to boost yields and get a shot a some attractive total returns.

CIBC

CIBC (TSX:CM)(NYSE:CM) recently completed a stock split to attract a broader investor base. The current share price of $69 is well off the 12-month high of $83.75 and puts the stock at just 9.6 times trailing 12-month earnings.

CIBC tends to trade at a discount to its larger Canadian peers due to its heavy reliance on the Canadian housing market and a past history of making some big blunders. Penalizing the stock for bad decisions made by previous management doesn't make sense. As for housing risks, it is true CIBC would likely take a larger relative hit than the other big Canadian banks if mortgage rates rise to the point where owners are forced to default and house prices plunge to the point where property owners owe more than the houses are worth.

While possible, it is unlikely that will occur for more than a small percentage of homeowners, even in a dire scenario, and CIBC has the capital strength to ride out some tough times.

Management has done a good job in recent years to diversify the bank's revenue stream through a series of acquisitions in the United States. Additional deals could emerge, especially after the pullback in bank valuations this year.

CIBC raised the dividend by 10% for fiscal 2022. Another big payout increase should be on the way for next year. Near-term volatility in the stock could continue, but CIBC already appears undervalued, and investors who buy now can pick up a decent 4.7% dividend yield.

BCE

BCE (TSX:BCE)(NYSE:BCE) trades near $67.50 at the time of writing compared to the 2022 high around $74.

The stock currently provides a 5.45% dividend yield, and investors should see steady annual dividend increases in the 5% range. BCE is investing heavily in its wireline and wireless network upgrades to make sure it remains competitive and delivers the broadband services homes and businesses need. BCE's fibre-to-the premises initiative will connect another 900,000 customers building with fibre lines this year. The expansion of the 5G wireless network continues as well, after BCE spent $2 billion last year on new 3,500 MHz spectrum.

BCE has the balance sheet strength to defend its leadership position in the market, and the competitive moat is wide. In fact, the reach of the wireless, wireline, and media assets is so extensive that most Canadians interact with a BCE service weekly, if not daily. Every time a person sends a text, makes a call, checks e-mail, streams a video, listens to the weather report, or watches the news, there is a pretty good chance that a BCE asset is involved somewhere along the line.

Retirees and other income investors have relied on BCE for steady payouts for decades. The stock has also delivered great total returns for investors who use the dividends to buy additional shares.

The bottom line on top stocks to buy for passive income

CIBC and BCE have long track records of delivering reliable and growing dividends. These stocks look attractive at current prices and deserve to be on your radar for a TFSA portfolio focused on passive income.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BCE (BCE Inc.)
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