TFSA Passive Income: 2 Top TSX Dividend Stocks With 6% Yields

Description

TFSA investors have an opportunity to buy top high-yield Canadian dividend stocks at reasonable or even undervalued prices.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) has a market capitalization of $115 billion. The company is an essential provider of oil and gas transmission in North America and has the ability to make strategic acquisitions to drive growth.

Enbridge spent US$3 billion late last year to purchase an oil export platform and related infrastructure in Texas. Global oil buyers are scrambling to secure reliable supply as sanctions hit Russia, while other key producers struggle with operational challenges caused by political instability and a lack of investment.

Canadian and U.S. producers can help meet rising oil demand. Enbridge already moves 30% of the oil produced in the two countries. Most domestic producers have used the rebound in oil prices to reduce debt and reward investors with higher payouts. Investment in new production should start to pick up later this year and into 2023 if oil prices remain elevated.

Enbridge also has extensive natural gas transmission and distribution operations. The natural gas utilities provide steady regulated revenue. In addition, Enbridge is expanding its renewable energy group that includes solar, wind, and geothermal assets.

Enbridge raised the dividend by 3% for 2022 and is buying back up to $1.5 billion in stock. Management expects distributable can flow to increase by 5-7% per year over the medium term. This should support steady dividend hikes. The board raised the payout in each of the past 27 years.

Investors who buy Enbridge stock at the time of writing can pick up a 6% dividend yield.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) provides insurance, wealth management, and asset management services and products to institutional and individual clients in Canada, the United States, and Asia. The American business operates under the John Hancock brand.

The pandemic has driven up morbidity and mortality claims and hindered sales efforts, but Manulife remains very profitable and the COVID-19 challenges should drop off in the second half of 2022 across most of Manulife's markets.

Manulife is investing heavily to shift more of its business online and is using digital solutions to identify new revenue opportunities with existing clients. This transition drives efficiency into the operations and makes interactions easier for customers while reducing long-term costs.

Manulife continues to remove risk from its business. In Q1 the company concluded a deal to reinsure 75% of its legacy U.S. variable annuities business. The move unlocked $2.4 billion in capital that the company is using to repurchase shares. Manulife has a share-buyback plan in place that will see it purchase up to 39 million common shares over a 12-month period. This is about 2% of the outstanding stock.

Investors are also getting more cash in their pockets. The board raised the dividend by 18% late last year. At the time of writing, Manulife stock provides a 6% dividend yield.

Asia presents attractive long-term growth potential and Manulife has done a good job of removing risks from the business after taking a big hit during the Great Recession. The dividend should be safe and ongoing payout growth is likely on the way in the coming years.

The bottom line on top high-yield stocks for TFSA income

Enbridge and Manulife are leaders in their respective sectors and should deliver steady dividend growth in the coming years. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

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3. TSX:ENB (Enbridge Inc.)
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