Dividend Investors: 2 Great TSX Stocks to Buy for Passive Income

Description

The **TSX Index** is home to many top dividend stocks that investors can buy to generate growing passive income. A pullback in recent weeks is giving investors a chance to secure attractive yields from some great companies.

TD Bank

TD (TSX:TD)(NYSE:TD) is Canada's second-largest bank with a current market capitalization of $174 billion. The bank made it through the pandemic in good shape and is using the war chest of cash it built up to get a lot bigger.

TD is in the process of buying **First Horizon**, an American bank, for US$13.4 billion. The target company has extensive operations in the southeastern part of the country, including Florida, where TD already has a strong presence. In fact, TD's American business has grown steadily over the past 15-20 years through a series of acquisitions right down the east coast from Maine to the sunshine state.

First Horizon added more than 400 branches and will make TD a top-six bank in the United States.

TD raised the dividend by 13% late last year. Investors should see another generous increase for fiscal 2023. The stock appears undervalued right now near $95.50 per share. TD traded as high as $109 earlier this year, and that was before the announcement of the big U.S. acquisition.

At the time of writing, investors can pick up a solid 3.7% dividend yield.

Telus

Telus (TSX:T)(NYSE:TU) trades for $31.50 per share at the time of writing compared to the 2022 high above $34.50. Investors can take advantage of the dip to buy this top defensive dividend stock for a balanced TFSA portfolio focused on passive income.

Telus normally raises the dividend twice per year and gives investors good guidance on the payout hikes. This is important for shareholders who rely on the stock for steady income. Management recently extended the dividend-growth outlook to 2025. Telus intends to boost the distribution by 7-10% per year over the next three years.

The company generates strong cash flow from its mobile, internet, and TV subscriptions. Telus is nearing the end of its copper-to-fibre transition on the wireline side of the business. This will free up capital for other uses and helps Telus drive higher revenue from package upgrades across its customer base. Telus is also building out its 5G network after spending $1.9 billion in 2021 on new 3,500 MHz spectrum.

Telus doesn't have a media division, but it has invested in other high-growth opportunities including its Telus Health and Telus Agriculture businesses. Telus Health is a leading provider of digital solutions to doctors, hospitals, and insurance companies. Telus Agriculture assists farmers by giving them digital tools to make their businesses more efficient.

Telus provides essential services that people and companies need, regardless of the state of the economy. This makes it a good pick for investors who are concerned that a recession is on the way.

Investors who buy Telus stock at the current price can pick up a 4.3% dividend yield.

The bottom line on top stocks for passive income

TD and Telus are top TSX dividend stocks with long track records of distribution growth. If you have some cash to put to work in a self-directed TFSA targeting passive income, these stocks deserve to be on your radar.

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2. Investing

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3. TSX:T (TELUS)
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