



2 Top TSX Dividend Stocks for Steady TFSA Passive Income

Description

Canadian savers are using their TFSA to build self-directed pensions that can generate reliable streams of tax-free passive income. The market pullback in recent weeks is giving dividend investors a chance to buy top TSX stocks at [undervalued](#) prices.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) just increased its dividend by 7%. This comes only a few months after the board raised the payout by 11% late last year. Investors can now pick up a 3.9% yield and wait for more dividend hikes to boost their returns.

Royal Bank survived the worst of the pandemic in solid shape. The company is sitting on significant excess cash it can deploy to drive growth and reward shareholders. Royal Bank announced a \$2.6 billion acquisition in the U.K. that will provide a solid platform to grow the wealth management business in that market. Additional deals could be on the way. In fact, it wouldn't be a surprise to see Royal Bank make a big move in the United States. The bank spent US\$5 billion on an acquisition south of the border in 2015, and the recent dip in the value of financial companies could present opportunities for another deal.

Royal Bank trades near \$132 per share at the time of writing compared to a 2022 high close to \$150. The stock appears undervalued and should deliver attractive dividend growth in the coming years.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is a stock that income investors can simply buy and hold for decades without having to worry too much about what's happening in the domestic or international markets.

The company has an entrenched position in the cozy Canadian communications market. BCE has the financial clout to make the investments needed to defend its competitive advantages and expand its revenue stream. An ongoing program to run fibre optic lines right to the buildings of residential and

commercial customers will connect 900,000 clients this year. This provides subscribers with access to the broadband they need for online meetings, gaming, or streaming movies. It also protects BCE's relationship with the customer.

On the wireless side, BCE spent \$2 billion on new 3,500 MHz spectrum last year in the government auction. This will be used to expand BCE's [5G](#) network that is the next level in the evolution of wireless communications. The technology opens up a host of new opportunities for revenue growth in the coming years.

BCE raised the dividend by at least 5% in each of the past 14 years. Investors should see the track record continue with free cash flow expected to increase 2-10% this year, even with the heavy capital outlays.

BCE has the power to increase prices in an environment of high inflation. This is important for dividend investors to consider when evaluating new stock purchases.

The share price is down to \$68.50 at the time of writing from the 2022 high around \$74. Investors who buy at the current price can pick up a 5.4% dividend yield.

The bottom line on top stocks for passive income

Royal Bank and BCE are leaders in their respective industries and have long track records of providing investors with growing dividends and attractive total returns. 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:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
4. TSX:RY (Royal Bank of Canada)

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Author

aswalker

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