Tax-Free Passive Income: 2 Top TSX Dividend Stocks to Buy for a Self-Directed TFSA

Description

High inflation has retirees and other TFSA investors searching for good dividend stocks to buy that offer attractive yields and growing payouts.

Enbridge

In the current environment, it makes sense to own industry leaders that provide essential services and offer decent outlooks for dividend growth.

Enbridge owns and operates a portfolio of oil pipelines, natural gas pipelines, natural gas storage sites, natural gas distribution utilities, and renewable energy assets that include wind, solar, and geothermal facilities.

The company transports 20% of the natural gas used by American homes and businesses every year and moves nearly a third of the oil produced in the U.S. and Canada. The energy infrastructure assets are strategically important for the smooth operation of the Canadian and U.S. economies.

Enbridge is shifting capital towards export opportunities, as countries around the world increasingly demand reliable North American oil and liquified natural gas (LNG). Enbridge spent US$3 billion in 2021 to buy an oil export platform and related oil pipelines. Management recently announced plans to build two new natural gas pipelines to transport natural gas to LNG sites on the Gulf Coast.

Enbridge entered the pandemic with a solid balance sheet after completing a transition process that included the monetization of roughly $8 billion in non-core assets and the acquisition of full ownership of four subsidiaries.

The board raised the dividend by 3% for 2022, and Enbridge is buying back up to $1.5 billion in stock under the current share-repurchase program. Distributable cash flow is expected to grow by 5-7% over the medium term, so steady dividend increases should be on the way. Enbridge raised the payout in each of the past 27 years.

TFSA investors who buy Enbridge stock at the current price can pick up a solid 5.9% dividend yield.

Power Corp

Power Corp (TSX:POW) is a holding company that owns positions in businesses that are primarily focused on insurance, wealth management, and asset management in Canada and the United States. It also has indirect positions in large international European companies. In addition, the venture capital groups invest in promising startups in sectors such as electric vehicles and fintech. For example, Power Corp, through its subsidiaries, owns a significant chunk of Wealthsimple.

The insurance and wealth management businesses generate steady cash flow to support the dividend. As interest rates increase, the cash the insurance companies are forced to set aside for potential claims will generate higher returns.

Power Corp trades near $35.50 per share at the time of writing compared to the 2022 high around $44.50. Investors who buy the stock at the current level can pick up a 5.6% dividend yield. Additional volatility should be expected in the near term, but the stock appears undervalued right now.

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

Enbridge and Power Corp pay attractive dividends that should continue to grow in the coming years. If you have some cash to put to work in a self-directed TFSA focused on passive income, these stocks deserve to be on your radar.

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Date
2025/06/29
Date Created
2022/06/10
Author
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