Retirement Investing: 2 Cheap TSX Dividend Stocks to Buy in a Market Correction

Description

The market pullback is finally giving dividend investors a chance to buy great TSX dividend stocks at undervalued prices for TFSA and RRSP portfolios focused on passive income and total returns.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) trades near $67 per share at the time of writing compared to more than $74 earlier this year. The dip gives investors a chance to buy the stock at an attractive price and lock in a 5.4% dividend yield.

TC Energy intends to raise the dividend by 3-5% per year through at least 2025, supported by the $25 billion capital program. The company should see strong demand for its pipeline and natural gas storage services in the coming years, as domestic and international natural gas consumption increases. Canadian, U.S., and international utilities are switching to natural gas from coal and oil to produce electricity. Foreign buyers are also seeking reliable liquified natural gas (LNG) supplies from the United States and Canada. Shipments to Europe from the United States are expected to soar, as European countries scramble to replace Russian supplies. Asian buyers are looking for shipments from Canada.

TC Energy has natural gas infrastructure in place and under construction to move natural gas from producers to LNG terminals.

BCE

BCE (TSX:BCE)(NYSE:BCE) trades near $62 per share at the time of writing and offers investors a 6% dividend yield. The stock is down from the 2022 high around $74, so there is some decent upside potential over the long run when the market starts to recover.

BCE has a reliable revenue stream that comes from its mobile, internet, and TV subscription services. People and businesses need to communicate regardless of the state of the economy, so the stock should be a solid defensive pick during a downturn.

BCE continues to invest billions of dollars on network upgrades to protect its competitive position and drive future revenue growth. The company expects to connect 900,000 additional customer buildings directly with fibre optic lines in 2022. BCE is also expanding its 5G network after spending $2 billion on new 3,500 MHz spectrum in 2021.

Management is targeting free cash flow growth of 2-10% in 2022. This should support a dividend increase for 2023 that is in line with average annual hikes of about 5% investors have received for nearly 15 years.

The stock isn’t without risk. Rising interest rates will make borrowing more expensive to finance heavy capital expenditures. In addition, a deep economic contraction could force advertisers to cut spending on BCE’s various media platforms. Inflation and rising mortgage costs might also result in consumers holding on to mobile phones for longer or even trimming some entertainment subscriptions.

At the same time, higher interest rates will help BCE fund its pension funds and drive better returns on cash positions.

All things considered, the stock looks cheap today. Investors can secure a great dividend yield while they wait for the distribution to grow.

The bottom line on top dividend stocks to buy now

TC Energy and BCE appear oversold. The stocks offer above-average yields and decent dividend growth on the horizon. If you have some cash to put to work in a retirement portfolio focused on dividends and total returns, these stocks deserve to be on your radar.

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1. Dividend Stocks
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