TFSA Passive Income: 2 High-Yield TSX Dividend Stocks to Buy on the Pullback

Description

The market correction is giving TFSA dividend investors a chance to buy top high-yield TSX stocks at undervalued prices for portfolios targeting tax-free passive income.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) reported solid Q1 2022 results and is well positioned to deliver steady revenue growth in the coming years. Adjusted Q1 EBITDA was $4.1 billion compared to $3.7 billion in the same period in 2021. Adjusted earnings came in at $1.7 billion, or $0.84 per share, compared to $1.6 billion, or $0.81 per share, in the first three months of last year.

Distributable cash flow (DCF), which is important for TFSA income investors who rely on steady distributions from the stock, rose to $3.1 billion in the quarter from $2.8 billion in Q1 2021.

The rest of 2022 appears to be on track to hit previous EBITDA guidance of $15-$15.6 billion and DCF per share of $5.20-$5.50. The guidance for both EBITDA and DCF is above the 2021 results.

Enbridge is making investments to capitalize on future growth opportunities in the energy sector, as the world emerges from the pandemic and geopolitical issues alter the market.

Enbridge acquired an oil export terminal for US$3 billion late last year. The company also recently announced plans to build two pipelines to run natural gas to liquified natural gas (LNG) terminals on the U.S. Gulf Coast. Demand for North American oil and LNG is rising, as Europe and other regions search for reliable long-term supplies.

In addition, Enbridge is evaluating developments in carbon capture and storage as well as hydrogen.

Enbridge's natural gas utilities and renewable energy facilities round out the asset portfolio and provide ongoing growth.

The shares trade near $53 at the time of writing compared to more than $59 earlier this year. Investors who buy Enbridge stock at the current price can pick up a solid 6.5% dividend yield. Annual payout growth should be 3-5% over the medium term. Enbridge increased the dividend in each of the past 27 years.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) trades near $21.50 at the time of writing compared to $28 in February. The steep pullback in the financial sector in recent months has hit the share prices of insurance companies and banks, as investors fret about inflation, rising interest rates, and the risk of a deep recession in the next couple of years.

Manulife provides insurance, wealth management, and asset management services to individuals, corporations, and institutional clients in Canada, the United States, and Asia. The Omicron surge in the first part of 2021 resulted in higher morbidity and mortality claims. Covid-19 remains an ongoing risk, but the worst should be over for Manulife and the broader insurance industry.

Manulife increased its dividend by 18% late last year. The current payout provides investors with an attractive 6.1% dividend yield.

This is a good stock to consider if you want to add a financial pick to a TFSA income portfolio. Manulife should benefit from higher interest rates, as it can generate better returns on the cash it has to set aside to cover potential claims. At the same time, the company has lower exposure to the Canadian housing market than the banks.

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

Enbridge and Manulife are industry leaders paying generous dividends that should continue to grow. If you have some cash to put to work in a self-directed TFSA focused on passive income, these stocks look undervalued right now and deserve to be on your radar.

CATEGORY

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:ENB (Enbridge Inc.)
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