Inflation Alert: 2 Top TSX Dividend Stocks for Retirees

Description

Canadian pensioners who rely on passive income from investments are searching for top high-yield TSX dividend stocks to buy inside their TFSA portfolios. This is particularly important in the current era of high inflation. Fortunately, the market correction is giving investors a chance to buy some great dividend stocks at cheap prices today.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) raised the dividend in each of the past 27 years, and investors should see steady payout growth continue.

The energy infrastructure giant is benefitting from the rebound in the global oil and gas sectors. Enbridge transports 30% of the oil produced in the United States and 20% of the natural gas Americans use each year. In addition, Enbridge is investing in assets to meet rising international demand for North American energy commodities. The company purchased a strategic oil export platform last year for US$3 billion. Enbridge also recently announced plans to build new pipelines that will bring natural gas to liquified natural gas (LNG) export terminals on the U.S. Gulf Coast.

Enbridge trades for less than $53 per share at the time of writing compared to $59.50 earlier this month. The plunge in the share price looks overdone given the fact that very little has changed in the outlook for the company’s revenue stream in recent weeks. The price of oil is down from the 2022 highs, but Enbridge isn’t a producer, it simply moves the product and charges a fee for the service.

Investors who buy Enbridge stock at the current price can pick up a 6.5% dividend yield and look forward to annual hikes of 3-5% over the medium term, supported by rising distributable cash flow.

Manulife Financial

Manulife (TSX:MFC)(NYSE:MFC) has insurance, wealth management, and asset management businesses primarily located in Canada, the United States, and Europe. The company generated record earnings in 2021 and raised the dividend by 18% late last year.

Manulife's Q1 2022 results came in weaker than anticipated due to the Omicron surge in all of its core markets. Claims in Canada and the United States rose due to higher morbidity and mortality rates and sales of new policies and products dipped in Asia amid widespread lockdowns. The worst of the pandemic should be over, so these should be short-term setbacks.

The Q2 results, however, will likely get hit by the correction in North American equity markets, but this is also a temporary situation. Overall, Manulife remains very profitable, and investors should see continued dividend growth.

Management made important moves in recent years to reduce risk. For example, Manulife closed a deal in February that reinsured 75% of the legacy U.S. variable annuity business. This unlocked about $2.4 billion in capital the firm is using to fund its share-buyback program.

Manulife currently appears undervalued at less than $21.50 per share. The stock was as high as $28 earlier this year. Investors who buy now can pick up a solid 6.15% dividend yield.

Manulife should benefit from the sharp rise in interest rates, as the insurance operations get a higher return on the cash they need to set aside for potential claims.

The bottom line on top stocks to buy to offset inflation

Enbridge and Manulife pay attractive dividends that should continue to grow in the coming years. The yields are now above 6%, giving investors a decent return to help offset the impact of high inflation. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

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