2 Oversold TSX Dividend Stocks to Buy Now and Own for 25 Years

Description

The market pullback is providing Canadian investors with an opportunity to buy great dividend stocks at undervalued prices for self-directed TFSA and RRSP portfolios. It takes courage to buy when the market is falling, but the long-term rewards can be significant.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) paid its first dividend in 1829. Since that time, investors have received a slice of the profits every year. That's a great track record to keep in mind when searching for top dividend stocks to add to a retirement portfolio.

Bank of Montreal raised the distribution by 25% late last year and then increased the dividend by another 4.5% when it reported fiscal Q2 2022 results. The generous payout increases suggest that management is confident in the revenue and profit outlook for the company, despite the current economic headwinds.

Bank of Montreal is expanding its presence in the American market through a US$16.3 billion deal to buy **Bank the West**. The acquisition will give BMO Harris Bank, the U.S. subsidiary, a strong foothold in the California market and expand the current American operations by more than 500 branches.

Aggressive interest rate hikes by the U.S. Federal Reserve and the Bank of Canada could trigger a recession in 2023 or 2024. In Canada, investors are also concerned that the housing market could crash as people sell due to a surge in their mortgage costs.

A deep recession and a total meltdown in the property market would be bad for bank revenues, but Bank of Montreal has the capital to ride out a downturn and is less exposed to the Canadian residential housing market than most of its peers.

The stock looks undervalued right now at $122 per share. Bank of Montreal traded as high as $154 in March. Investors who buy today can pick up a solid 4.5% dividend yield.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is a major player in the North American energy infrastructure sector with $100 billion in assets located across Canada, the United States, and Mexico. The natural gas transmission business is the largest contributor to the revenue stream. TC Energy operates 93,000 km of natural gas pipelines and has significant natural gas storage capacity. Oil pipelines and power generation facilities round out the asset portfolio.

TC Energy is advancing a $25 billion capital program with about $7 billion targeted for 2022. The company is also evaluating new projects including hydrogen production and carbon capture hubs.

TC Energy has a strong track record of dividend growth. The board raised the payout in each of the past 22 years. Management expects revenue and cash flow growth to support annual increases of 3-5% over the medium term. The current quarterly payout of $0.90 per share provides an annualized yield of 5.4% at the time of writing.

The stock price is down to $66 from $74 just a few weeks ago. Investors dumped the stock due to the drop in oil and natural gas prices, but TC Energy isn't an energy producer, it simply moves the commodities and charges a fee for providing the services. The outlook for the business hasn't changed, so the stock appears cheap at this level.

The bottom line on top TSX dividend stocks to buy now

Bank of Montreal and TC Energy pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:BMO (Bank Of Montreal)
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