Inflation Investing: 2 Top TSX Dividend Stocks to Buy Now

Description

Inflation hit 7.7% in Canada last month, as prices for everything from food to fuel continue to soar. As a result, income investors are seeking stocks that pay dividends with attractive yields to help offset the inflation hit.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) entered the pandemic with a strong balance sheet after completing a restructuring that saw the business monetize roughly $8 billion in non-core assets and streamline the operations through the purchase of four subsidiaries.

Oil demand continues to rebound off the 2020 crash, as airlines boost capacity and commuters start heading back to the office. At the same time, international buyers are scrambling to secure North American oil and liquified natural gas (LNG) supplies to replace production previously purchased from Russia.

The result is strong demand for Enbridge's energy infrastructure services that include oil pipelines, natural gas pipelines, and natural gas storage. Enbridge also has natural gas distribution utilities and renewable energy facilities that round out the revenue stream.

Enbridge continues to drive growth through acquisitions and capital projects. The company purchased and oil export terminal last year and recently announced plans to build two pipelines to run natural gas to LNG sites on the U.S. Gulf Coast. Enbridge is also moving into the emerging carbon capture and storage segment.

The stock is down to $53.50 at the time of writing compared to $59.50 earlier this month. At the current price, Enbridge looks undervalued, and investors can pick up a solid 6.4% dividend yield.

Enbridge raised the dividend in each of the past 27 years. Investors should see annual increases of 3-5% over the medium term.

IGM Financial

IGM Financial (TSX:IGM) is a wealth management and asset management business based in Winnipeg. The company primarily offers investment advice and products to people and families across Canada through its subsidiaries that include IG Wealth Management, Investment Planning Counsel, and Mackenzie Investments.

Adjusted net earnings for Q1 2022 came in at $219 million compared to $202 million in the same period last year. Total assets under management rose to $237 billion from $222 billion in Q1 2021.

Despite the strong results, the stock is down more than 20% in 2022 and now trades at just $35.50 per share. The pullback is due to the overall drop across the financial sector in recent months, but the selloff appears overdone. IGM Financial generates steady revenue and cash flow, and the dividend should be very safe. The market correction will reduce assets under management, but most individuals and families tend to stick with their financial advisors once they establish the relationship. Wealth managers and asset managers collect fees regardless of how the investments perform.

Investors who buy the stock at the current level can pick up a 6.25% dividend yield and wait for the sector to rebound.

The bottom line on top high-yield stocks to buy now

Enbridge and IGM Financial are top dividend stocks that appear undervalued today and offer investors high yields to help mitigate the impact of 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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Date
2025/07/21
Date Created
2022/06/27
Author
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