TFSA Pension: 2 TSX Dividend Stocks to Buy Now and Hold for Decades

Description

Canadian investors are using their TFSA to build self-directed retirement funds. The pullback in the **TSX Index** is providing an opportunity to buy top dividends stocks at undervalued prices.

BCE

BCE (TSX:BCE)(NYSE:BCE) trades for close to $63.50 per share at the time of writing compared to $74 a little more than two months ago. The drop in the share price looks overdone, and investors can now pick up a solid 5.8% dividend yield and look forward to steady dividend growth.

BCE provides internet and mobile communication services that businesses and households need regardless of the state of the economy. The market correction that occurred in recent months is due to rising fears that the economy is headed for a recession. A slowdown is expected, as inflation hits consumers and rising interest rates designed to reduce inflation drive up borrowing costs.

In this environment, it makes sense to search for defensive stocks like BCE that have stable revenue streams.

This doesn't mean BCE is recession-proof. Its media business would likely see a dip in ad spending during an economic downturn, and product sales could slip as people and businesses decide to keep using older phone models. The bulk of the revenue stream, however, should be insulated from recessionary pressures. Even the TV subscriptions would likely outlast most other discretionary spending.

BCE is investing billions of dollars in network upgrades. The company plans to connect another 900,000 buildings with fibre optic lines in 2022 and is expanding the 5G mobile network. These programs should support revenue and profit growth.

BCE still has excess cash to cover the generous dividend. Free cash flow is expected to grow by 2-10% in 2022.

TD Bank

TD (TSX:TD)(NYSE:TD) is leader in the Canadian banking sector and is poised to become a much larger player in the American market.

The bank is in the process of buying **First Horizon** for US$13.4 billion in a deal that will add more than 400 branches to the existing U.S. business and make TD a top-six bank in the United States. TD already has a presence all along the east coast from Maine to Florida. First Horizon operates in the U.S. southeast, including the sunshine state, so the acquisition should be a good fit.

TD raised the dividend by 13% late last year. It was the only big Canadian bank that didn't hike the payout when the fiscal Q2 2022 results came out, but investors should see another generous increase for 2023. TD has one of the best dividend-growth rates in the TSX over the past two decades.

The stock appears undervalued right now. TD trades for close to $85 compared to the 2022 high around $109.

Investors who buy at the current level can pick up a solid 4% dividend yield.

The bottom line on top dividend stocks for a TFSA

BCE and TD look cheap right now and offer attractive 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 deserve to be on your radar.

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2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
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