



TFSA Passive Income: 2 Top TSX Dividend Stocks to Buy on the Correction

Description

The 2022 [market correction](#) is giving retirees and other self-directed TFSA investors a chance to buy top TSX dividend stocks at [undervalued](#) prices to generate reliable and growing tax-free passive income.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) trades near \$83 per share at the time of writing compared to \$109 in February. The steep drop in the stock has come as investors fear a recession is on the way.

High inflation is hitting consumers' pocketbooks. This will reduce discretionary spending and slow down economic activity. The process could accelerate as the U.S. Federal Reserve and the Bank of Canada raise interest rates to try to get inflation under control. Higher interest rates increase the cost of variable-rate debt. At the same time, soaring fixed-rate mortgage costs are going to add pain to homeowners who need to renew.

In a worst-case scenario, the one-two punch from high inflation and soaring debt costs could lead to a deep economic contraction and a meltdown in the housing market. This is why the share prices of TD and its peers are under so much pressure.

At this point, however, the selloff is starting to look overdone. TD has a strong capital position and gets revenue from several segments in both Canada and the United States. The bank remains very profitable and gave investors a 13% dividend increase near the end of 2021.

TD is in the process of buying **First Horizon**, a U.S. bank with operations in the southeastern part of the country for US\$13.4 billion. The deal will add more than 400 branches and make TD a top-six bank in the American market.

Ongoing volatility should be expected, but TD stock looks cheap right now for buy-and-hold TFSA investors. At the time of writing, investors can pick up a 4.3% dividend yield.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) trades near \$44.50 per share at the time of writing compared to \$53 a few weeks ago. The plunge in the share price is giving investors who missed the big oil rally this year a chance to buy the stock on a nice dip before the next surge.

Suncor raised the dividend by 100% late last year and increased the payout by another 12% when it reported the Q1 2022 results. Suncor is also buying back up to 10% of its outstanding stock under the current share-repurchase program.

WTI oil trades near US\$106 per barrel right now compared to the 2022 high above US\$120. This is still a very profitable level for Suncor's upstream oil sands operations. Fuel demand continues to rebound, as the global economy recovers from the pandemic. Airlines will continue to add capacity once they get through the summer travel bottlenecks and corporations are slowly bringing employees back to the office. This all points to rising demand for jet fuel and gasoline.

Suncor's downstream refining and retail businesses are rebounding. Refineries are generating strong margins right now, and gas stations are busy, even as prices soar.

The Q2 2022 results could come in better than anticipated and high oil prices are expected to remain in place for the next few years due to hundreds of billions of dollars of underinvestment by the industry during the pandemic.

Suncor traded for \$44 before the pandemic when WTI oil was just US\$60 per barrel. All things being equal, the stock looks undervalued and now offers a 4.2% yield.

The bottom line on top stocks for passive income

TD and Suncor pay attractive dividends that should continue to grow at a steady pace. 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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