RRSP Wealth: 2 Top TSX Dividend Stocks to Buy for Total Returns

Description

Canadian savers have a chance right now to buy top TSX dividend stocks at undervalued prices to generate income and attractive total returns in a self-directed RRSP portfolio.

CIBC

CIBC (TSX:CM)(NYSE:CM) trades for $62.50 per share at the time of writing compared to more than $83 earlier this year.

Investors sold bank stocks in recent months among rising fears that a recession is on the way in 2023 or 2024. High inflation is forcing households to use savings pay for food, gas, and utility charges. This reduces the deposits and investments that help banks generate income. At the same time, the Bank of Canada is raising interest rates to try to tame inflation. Higher rates make loan payments and mortgages more expensive, putting added pressure on household budgets. Home prices are already falling, and property sales will likely decline significantly over the next couple of years, reducing mortgage growth.

These headwinds will impact CIBC's revenue and earnings, but the selloff in the share price looks overdone, and CIBC is still on track to deliver decent revenue growth and profits. Rising interest rates tend to boost net interest margins for the banks. The market is likely underestimating how much this can boost the bottom line. CIBC has a strong capital position to ride out some rough times, and the U.S. operations help offset challenges in the Canadian market.

Additional volatility should be expected in the near term, but CM stock looks cheap today at 8.8 times trailing 12-month earnings and offers a solid 5.3% dividend yield.

Suncor

Suncor (TSX:SU)(NYSE:SU) stock rose 36% in the first half of the year, but the share price is down considerably from the 2022 high and still looks undervalued at $45. Investors who buy the integrated energy company at the current price can pick up a 4.2% dividend yield and wait for the next big distribution hike.

Suncor raised the dividend by 100% late last year and increased it by another 12% when the company reported the Q1 2022 results. The Q2 numbers will be even better, enabling Suncor to reduce debt faster than planned and fund the aggressive share-buyback program. Fewer shares in the market means more profits available for the remaining shareholders.

WTI oil looks set to hold above US$100 per barrel for some time amid strong global fuel demand and tight supplies. Producers are using the profit windfall to pay down debt and put more cash in shareholder's pockets rather than increase capital investments to boost output. Pressure to meet net-zero emissions goals could keep a lid on supply increases in the coming years.

Suncor's refining and retail businesses have rebounded from the pandemic slump and should continue to perform well as jet fuel, gasoline, and diesel fuel consumption increases. Travelers are booking more flights, and commuters are heading back to the office.

The bottom line on top TSX dividend stocks for total returns

CIBC and Suncor look undervalued today and pay attractive dividends that should continue to grow. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar right now.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:SU (Suncor Energy Inc.)

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