Reliable Passive Income: 2 Top TSX Dividend Stocks to Buy Now

Description

Retirees and other investors seeking steady and growing passive income are looking for top TSX dividend stocks to buy right now at undervalued prices.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a Canadian utility company with $58 billion in assets located across Canada, the United States, and the Caribbean.

Growth comes from a combination of strategic acquisitions and development projects. The last large deal occurred in 2016 when Fortis purchase ITC Holdings, a U.S. electricity transmission company, for US$11.3 billion.

With stock values down in recent months, it wouldn't be a surprise to see Fortis announce another takeover. The company hired an acquisition specialist to the senior management team last year.

On the development side, Fortis is working on $20 billion in capital projects that will raise the rate base by roughly $10 billion over the next few years. The resulting revenue and cash flow boost should support planned average dividend hikes of 6% per year through 2025.

Fortis raised the distribution in each of the past 48 years, so the guidance for future increases should be reliable. This is the kind of stability investors are looking for when choosing top dividend stocks to generate passive income.

Fortis trades near $61 per share at the time of writing compared to the 2022 high around $65. Investors who buy at the current price can pick up a 3.5% dividend yield.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with a current market capitalization of $58 billion. Income investors have relied on BCE's generous and growing dividend for decades, and the stock remains a solid pick for a balanced portfolio.

BCE provides essential internet and mobile services to households and businesses. These revenue streams tend to hold up well during an economic downturn, making BCE a decent defensive stock to own through a recession.

The communications sector continues to evolve, and BCE is making the investments needed to ensure it protects its competitive position while setting the business up for revenue and profit growth in the coming years. BCE expects to run fibre optic lines directly to another 900,000 customer buildings in 2022. The company is also expanding the 5G mobile network after spending $2 billion last year on 3,500 MHz spectrum in the 2021 auction.

BCE is targeting modest revenue and profit growth in 2022 and free cash flow is expected to jump by 2-10% compared to 2021. This should support another dividend increase for 2023. BCE typically raises the payout by about 5%.

The pullback in BCE's stock price in recent weeks is giving investors a good opportunity to buy at a discount and pick up an attractive 5.8% dividend yield.

The bottom line

Fortis and BCE are top dividend stocks with payouts that should continue to grow in the coming years. The companies provide essential services and tend to be solid defensive picks during an economic downturn. If you have some cash to put to work in a portfolio focused on passive income, these stocks deserve to be on your radar.

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