RRSP Investors: 2 Undervalued TSX Dividend Stocks to Buy Today and Own for 25 Years

Description

The market pullback is giving TFSA investors a chance to buy top TSX dividend stocks at undervalued prices for self-directed RRSP portfolios.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with wireline and wireless networks providing internet, TV, and mobile services to households and businesses across the country. BCE also has a media group that is home to a television network, specialty channels, radio stations, digital platforms, and sports teams.

The company is investing billions of dollars in new network infrastructure to protect its competitive moat and position the business for revenue growth. BCE continues to run fibre optic lines directly to the premises of its customers. The company is also expanding the 5G network.

BCE should be a good defensive stock to add to a self-directed RRSP portfolio. The company provides essential services that people and businesses need in all economic situations. In addition, BCE has the ability to raise prices when its costs increase. That is important to consider in the current inflationary environment.

BCE expects free cash flow to grow by 2-10% in 2022. Investors should see a dividend increase of about 5% for 2023, which is in line with average annual payout hikes in recent years.

The stock looks attractive near the current price of $63.50 per share and provides a 5.8% dividend yield.

A $10,000 investment in BCE stock 25 years ago would be worth more than $180,000 today with the dividends reinvested.

TD Bank

TD (TSX:TD)(NYSE:TD) made it through the pandemic in better shape than initially feared when lockdowns triggered massive job losses that could have led to a wave of loan defaults.

In the end, the federal government and the Bank of Canada came to the rescue. Financial assistance enabled borrowers to keep making payments. Rate cuts triggered a roaring housing market. TD reported adjusted net income of $14.65 billion in fiscal 2021 and finished the year with a war chest of excess cash.

The board raised the dividend by 13% late last year and is using extra funds to make a US$13.4 billion acquisition in the United States. TD is buying **First Horizon** in a deal that will add more than 400 branches in the southeastern states and make TD a top-six bank in the American market.

TD stock looks oversold at the current price of $83. The share price was as high as $109 earlier this year. Investors who buy today can pick up a solid 4.3% dividend yield and wait for the rebound in the banking sector.

Buying TD on dips has typically been a profitable strategy for patient investors. Similar to the BCE returns, a $10,000 investment in TD stock 25 years ago would be worth about $180,000 today with the dividends reinvested.

The bottom line on top TSX dividend stocks to buy now

BCE and TD are leaders in their industries and pay attractive dividends that should grow for years. If you have some cash to put to work in a self-directed RRSP focused on total returns these stocks look cheap right now and deserve to be on your radar.

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