Buy the Dip: 2 Top TSX Dividend Stocks for TFSA Passive Income

Description

The market pullback is giving Canadian retirees and other income investors a chance to buy top TSX dividend stocks at undervalued prices to boost yields on savings inside a TFSA focused on passive income.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with a current market capitalization of nearly $60 billion. Being big has advantages in an industry that requires significant capital outlays to ensure customers continue to have the high-speed broadband access they need across multiple platforms.

BCE spent $2 billion last year to buy key 3,500 MHz spectrum that is the foundation for the expansion of the company's 5G mobile network. At the same time, BCE continues to roll out its fibre-to-premise program that runs fibre optic lines directly to the buildings of its commercial and residential clients. These initiatives are expensive, but they help protect BCE's wide competitive moat and open the door for new and higher revenues from every account.

BCE's media business is rebounding from the pandemic hit and mobile roaming fees could surge through the second half of 2022, as people travel more for business and holidays. Recession fears knocked the share price down a bit in the past three months, but the pullback appears overdone. BCE has a stable revenue stream coming from the internet and mobile services.

Management expects free cash flow to grow by 2-10% in 2022. This should support another solid dividend increase for 2023. Investors who buy the stock at the time of writing can pick up a 5.75% dividend yield.

Manulife Financial

Manulife (TSX:MFC)(NYSE:MFC) trades near $21.80 at the time of writing compared to $28 earlier this year. Investors can now get a 6% dividend yield and simply wait for the financial sector to recover from the steep drop that has occurred in recent months.

Manulife operates insurance, wealth management, and asset management businesses in Canada, the United States, and Asia. The executive team has worked hard over the past 10 years to reduce risk across the business after Manulife took a beating during the Great Recession. Earlier this year Manulife closed a deal the reinsured 75% of the legacy U.S. variable annuities business. The move freed up $2.4 billion in capital that is being used to fund share buybacks. The deal also lowered Manulife's risk profile with respect to falling equity markets. The timing of the agreement was good for investors, given the extent of the market correction in recent months.

Manulife generated record profits in 2021. The first quarter of 2022 came in a bit weak due to high morbidity and mortality claims in Canada and the United States caused by the Omicron surge. In Asia, COVID-19 lockdowns led to lower sales. The Q2 numbers will probably show a hit due to the slump in equity markets, but the drop in Manulife's share price from the highs earlier in the year likely already reflects the challenging conditions.

The stock appears oversold right now, and investors should see a generous dividend increase for 2023. Manulife raised the payout by 18% for 2022.

The bottom line on top TSX stocks to buy now for passive income

BCE and Manulife are leaders in their respective industries and pay attractive dividends with above-average yields. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:BCE (BCE Inc.)
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