RRSP Wealth Fund: 2 Cheap TSX Dividend Stocks to Buy Now for Total Returns

Description

Canadian investors can take advantage of the market correction to buy top TSX dividend stocks at undervalued prices to boost yields while setting the portfolio up for attractive long-term total returns.

TD Bank

TD (TSX:TD)(NYSE:TD) trades near $78 per share at the time of writing compared to $109 earlier this year. The steep decline in the share price is part of a broad selloff in bank stocks over the past few months that materialized, as investors started to worry about a possible recession.

Canadian banks are under added pressure due to concerns that sharp increases in interest rates announced by the Bank of Canada to fight inflation will trigger a crash in the residential housing market. A slowdown in home sales and a decrease in prices has already begun. One bank report anticipates a peak-to-trough price decline of 19%.

Despite the economic headwinds, TD should generate solid revenue and profits this year. Fiscal Q1 and Q2 2022 results already came in better than the first half of 2021.

Looking ahead, TD is working through a US$13.4 billion acquisition to drive future growth. The purchase of **First Horizon** will add more than 400 branches to the American operations and make TD a top-six bank in the United States.

The board raised the dividend by 13% late last year. Another generous increase should be on the way for fiscal 2023.

The stock looks oversold at the current price and offers investors a 4.5% dividend yield. Buying TD shares on big dips has historically proven to be a savvy move for investors. A $10,000 investment in TD stock 25 years ago would be worth about $175,000 today with the dividends reinvested.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) trades near $145 per share at the time of writing compared to the 2022 high around $170. Investors might be tempted to skip CN due to its 2% dividend yield, but that would be a mistake when choosing stocks for a portfolio focused on total returns. CN has one of the best dividend-growth rates on the TSX since it went public in the mid-1990s and has delivered great capital gains.

CN raised the payout by 19% for 2022. The company is also buying back up to 6.8% of the outstanding stock under the current repurchase plan. CN generates significant free cash flow and has the funds to make the required capital investments while returning ample cash to shareholders.

CN operates a unique rail network that connects ports on three coasts. This gives it a wide competitive moat and makes CN attractive for domestic and international clients that need to move commodities or finished goods across Canada and through the United States.

Long-term RRSP investors have done well with CN stock. A $10,000 investment in CN shares 25 years ago would be worth about $390,000 today with the dividends reinvested.

The bottom line on top stocks to buy for total returns

TD and CN look undervalued right now and should continue to deliver solid dividend growth and long-term capital gains. If you have some cash to put to work in a self-directed RRSP, these stocks deserve to be on your radar.

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1. Dividend Stocks
2. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:TD (The Toronto-Dominion Bank)

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