Self-Directed Pension: 2 Top TSX Dividend Stocks to Buy Inside a TFSA or RRSP

Description

The market correction is giving TFSA and RRSP investors an opportunity to buy top TSX dividend stocks at discounted prices for a self-directed retirement portfolio focused on total returns.

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Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a good stock for retirees seeking passive income to buy in a TFSA or for younger investors who want to take advantage of the power of compounding inside their RRSP by reinvesting dividends to acquire new shares.

The company is a leader in the energy infrastructure industry with extensive oil and natural gas pipelines running across Canada and through the United States. Enbridge transports 30% of the oil produced in the two countries and 20% of the natural gas used by American homes and businesses. The company also has natural gas storage, natural gas utilities, and a growing renewable energy division.

Looking ahead, growth should come from oil and liquified natural gas (LNG) export opportunities as Europe seeks new suppliers to offset the reliance on Russia. Enbridge purchased an oil export terminal in the United States for US$3 billion last year and recently announced plans to build two new natural gas pipelines to supply LNG facilities on the American Gulf Coast.

The board raised the dividend in each of the past 27 years. Recent increases have been smaller than the historical averages due to slower organic growth, but Enbridge continues to find investment opportunities across the asset base and has the financial clout to make strategic acquisitions.

ENB stock is down a bit from the 2022 high and now offers investors a 6.2% dividend yield with decent payout hikes on the way that should be in line with growth in distributable cash flow.

Royal Bank

Royal Bank (TSX:RY)(NYSE:RY) is Canada's largest financial institution with a current market capitalization near $174 billion.

The company finished fiscal Q2 2022 with a CET1 capital ratio of 13.2%. Royal Bank built up a large cash reserve to ride out the pandemic and is now starting to use the excess cash for acquisitions, share buybacks, and dividend increases. The company is buying a wealth-management business in the United Kingdom for $2.6 billion to expand its presence in the region. Upon closing, Royal Bank will become the third-largest wealth manager in Britain and Ireland.

Royal Bank spent US$5 billion on an American acquisition in 2015. It wouldn't be a surprise to see another commercial and wealth deal south of the border in the near term, especially after the large decline in valuations across the U.S. financial sector in recent months.

Royal Bank raised the dividend by 11% late last year and gave investors another 7% increase when the company released Q2 2022 results. The fiscal 2022 numbers are on track to top the strong 2021 performance, and the dividend hikes suggest management is comfortable with the revenue and profit outlook, despite economic headwinds.

Royal Bank stock appears cheap right now at $122 per share and offers a 4.2% dividend yield. The shares traded for more than $149 in January, so there is decent upside opportunity when the financial sector rebounds.

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The bottom line on top TSX dividend stocks for a retirement portfolio

Enbridge and Royal Bank are industry leaders that look undervalued today and pay attractive dividends. If you have some cash to put to work in a self-directed TFSA or RRSP, these stocks deserve to be on your radar.

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