2 Top TSX Dividend Stocks for New TFSA Investors to Buy Now

Description

The market correction is giving new TFSA investors a chance to buy top TSX dividend stocks at undervalued prices. Young investors can use the dividends to buy new shares and harness the power of compounding to build wealth. Retirees can take advantage of the TFSA to create a tax-free stream of passive income.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) trades for $67.50 at the time of writing compared to the 2022 high around $74. The pullback appears overdone and provides an opportunity for investors to pick up a 5.3% dividend yield.

The board raised the dividend in each of the past 22 years, and investors should see annual increases of 3-5% over the medium term, supported by TC Energy's $25 billion capital program, which will boost the size of the existing asset portfolio that already tops $100 billion.

TC Energy is a key player in the North American energy infrastructure industry with 93,000 km of natural gas pipelines in Canada, the United States, and Mexico. Natural gas demand is expected to grow in the coming years, as power utilities switch to the fuel from coal and oil and international buyers seek out reliable Canadian and U.S. supplies of liquified natural gas (LNG).

TC Energy owns strategic pipeline infrastructure that runs from the Marcellus and Utica shale plays in the United States to the Gulf Coast where LNG facilities can ship the fuel to overseas buyers. TC Energy is also building a new pipeline in Canada that will connect Canadian natural gas production to a new LNG site on the coast of British Columbia.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) trades at $124 per share right now compared to a high above $154 earlier this year. The stock appears undervalued at this level and offers investors a 4.5%

dividend yield.

Bank of Montreal increased the dividend by 25% late last year and raised the payout by another 4.5% when the bank reported fiscal Q2 2022 results. The generous dividend hikes are a good sign for investors. Management can't be overly concerned about revenue and profits over the next couple of years, despite the economic headwinds.

The plunge in bank stocks in the past few months occurred as a result of increased concern that a recession is on the way. High inflation is hitting household pocket books, and the Bank of Canada's sharp interest rate increases will drive up mortgage and loan expenses. Property prices are giving back some gains and sales are slowing down.

A deep recession would lead to reduced revenue for Bank of Montreal and its peers. Economists current put the likelihood of a recession next year at about 50% and analysts expected the downturn to be short and mild.

Bank of Montreal has less exposure to the housing market than some of the other Canadian banks, so it looks like a good pick in the group. In addition, the company is in the process of buying California-based **Bank of the West** for US$16.3 billion. The deal will expand the current American operations by more than 500 branches and further diversify the revenue and profit stream.

At this point, the negative economic outlook is probably fully accounted for in the share price.

The bottom line on top TSX dividend stocks to buy for a TFSA

TC Energy and Bank of Montreal are top TSX dividend stocks that look cheap today. If you have some cash to put to work in a TFSA focused on passive income and total returns, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:TRP (Tc Energy)
3. TSX:BMO (Bank Of Montreal)
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Date
2025/08/23
Date Created
2022/07/21
Author
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