TFSA Passive Income: 2 Top TSX Dividend Stocks for Tax-Free Retirement Earnings

Description

Retirees are searching for top **TSX** dividend stocks to add to their portfolios. This year's dip in the market is giving pensioners a chance to buy high-yield stocks at undervalued prices for a TFSA that's focused on passive income. Here are two high-yield, undervalued stocks worth a look.

BCE

BCE (TSX:BCE)(NYSE:BCE) remains a top buy for investors who want reliable distributions and steady dividend growth without having to watch the share price every day.

The company is Canada's largest communications business with world-class wireline and wireless networks bringing mobile, internet, security, and TV services to businesses and households across the country. BCE has the balance sheet strength to invest the billions required to equip customers with broadband capacity for work and entertainment.

The management team plans to connect another 900,000 buildings with fibre optic lines in 2022. BCE is also expanding its 5G network after spending $2 billion on a new 3500 MHz spectrum in 2021. This mid-band spectrum has become the critical global band for 5G innovation.

BCE's dividend typically grows about 5% per year. The company expects free cash flow growth of 2-10% for 2022, so another solid payout hike should be on the way for 2023.

BCE stock looks undervalued today at $63 per share. It traded at $74 just three months ago. Investors who buy at this level can pick up a solid 5.8% dividend yield and wait for future distribution increases to boost the return.

Power Corp

Power Corp (TSX:POW) trades for close to $34 per share at the time of writing compared to the 2022 high above $44. The stock looks oversold after the rout in the broader financial sector. Especially when you consider the portfolio strength of insurance and wealth management businesses, and the opportunities provided by venture capital holdings.

Power Corp owns majority positions in **Great-West Lifeco** (TSX:GWO) and **IGM Financial** (TSX:IGM). These publicly-traded companies are home to insurance, wealth management, and asset management businesses in Canada, the United States, and Europe. Canada Life, Irish Life, Empower, Putnam Investments, IG Wealth Management, Mackenzie Investments, and Investment Planning Counsel are all part of the family.

Power Corp also has alternative asset management businesses. Sagard invests primarily in fintech startups. Power Sustainable invests in green-energy startups, including electric vehicle makers. The highest-profile winner to date is Wealthsimple.

Valuations on the Venture Capital (VC) holdings have come down this year amid the tech sector correction, but these investments could potentially be major contributors to Power Corp's growth in the coming years.

At the current share price, investors get a reliable 5.8% dividend yield and low-risk exposure to a large portfolio of promising fintech and sustainable tech players. The core insurance, wealth management, and asset management businesses generate strong cash flow and profits to support the dividend. Last year, Power Corp reported record net earnings of $2.9 billion, or $4.31 per share.

In 2022, weak equity markets will have a negative impact. But, this should be partially offset in the second half of the year as rising interest rates boost the returns insurance businesses can get on cash they set aside to cover potential claims.

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

BCE and Power Corp are undervalued today and pay safe dividends with above-average yields. If you have some cash to invest in a self-directed TFSA focused on passive income, these stocks should be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:POW (Power Corporation of Canada)

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