TFSA Passive Income: 2 Top Dividend Stocks for Retirees to Buy in 2022

Description

The market correction is giving investors seeking passive income a chance to buy top TSX dividend stocks at or near 12-month lows. This gives investors an opportunity to secure a higher yield and get exposure to some decent upside when the share prices rebound.

Telus

Telus (TSX:T)(NYSE:TU) operates world-class wireless and wireline communication networks that provide Canadian businesses and households with mobile, internet, security, and TV services. The company also has interesting subsidiaries in the healthcare and agriculture industries.

Telus Health provides digital solutions to physicians, hospitals, and insurance companies. Telus Agriculture helps farmers make their businesses more efficient. The two companies continue to grow and could become major contributors to future revenue for the parent company. Telus Health is actually getting a lot larger with the recently announced $2.3 billion acquisition of **LifeWorks**.

Telus reported strong Q1 2022 results, and Q2 should also be positive. Earnings per share (EPS) in the first quarter rose by 12% compared to the same period last year. The company expects to deliver revenue growth of 8-10% for the year and free cash flow of $1-$1.2 billion.

Telus has a great track record of dividend growth. The board typically increases the payout twice per year and is providing guidance of average annual increases in the 7-10% range through 2025. That's important for income investors who want reliable and growing payouts from their income portfolios.

Telus trades near $29.50 at the time of writing compared to $34.50 earlier this year. The dip looks overdone, and investors can pick up a 4.6% dividend yield.

Telus is a good defensive stock to buy if you are concerned the economy might be headed for a steep downturn in the next 12-18 months. The revenue stream primarily comes from essential phone and internet services. At the same time, Telus has the power to raise prices to cover rising operating costs caused by high inflation.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) trades near $128 per share at the time of writing compared to the 2022 high around $154. The pullback in bank stocks over the past few months likely went too far, and bargain hunters are starting to scoop up Bank of Montreal and the other banks to secure attractive dividends for buy-and-hold income portfolios.

A mild and short recession is likely on the way next year, and a downturn in the Canadian housing market has already begun due to soaring interest rates. Bank of Montreal has lower relative exposure to the property market than some of its peers, so there shouldn't be too much concern on that front. The company has a strong capital base to ride out some tough economic times and is making a large acquisition to drive future growth while diversifying the revenue stream.

Bank of Montreal is spending $16.3 billion to buy **Bank of the West**. The deal adds more than 500 branches to the existing American operations and will give BMO Harris Bank a strong foothold in California.

Bank of Montreal raised the dividend by 25% late last year and increased the payout by another 4.5% when the bank released fiscal Q2 2022 results. The board obviously feels comfortable with the revenue and profits outlook, or it wouldn't have raised the dividend by so much in such a short time.

Investors who buy the stock at the current level can pick up a 4.3% dividend yield.

The bottom line on top stocks to buy for passive income

Telus and Bank of Montreal pay attractive dividends that continue to grow. If you have some cash to put to work in a TFSA focused on passive income, these stocks look cheap today and deserve to be on your radar.

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