



Tax-Free Passive Income: 2 Cheap TSX Dividend Stocks for TFSA Investors

Description

The market is starting to rebound off the 2022 correction, but Tax-Free Savings Account (TFSA) investors seeking passive income can still buy good high-yield stocks at [undervalued](#) prices.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is Canada's third-largest bank with a current [market capitalization](#) of \$96 billion. The stock is back up to \$80 from the recent low near \$72 but still way off the \$95 mark it hit earlier in 2022. At less than 10 times trailing 12-month earnings Bank of Nova Scotia still looks cheap, and investors can pick up a solid 5.15% dividend yield.

Bank of Nova Scotia's international operations, primarily focused on Mexico, Peru, Chile, and Colombia, took a big hit during the pandemic. The fiscal second-quarter (Q2) 2022 results, however, show a strong recovery is on the way for the division. Bank of Nova Scotia's international business generated \$613 million in adjusted profits in fiscal Q2 compared to \$429 million in the same period last year.

For the first six months of fiscal 2022, Bank of Nova Scotia generated net income of \$5.49 billion compared to \$4.85 billion in the first half of fiscal 2021.

Economic headwinds are on the way, but Bank of Nova Scotia is on track to beat 2021 results, and the board continues to raise the dividend. Bank of Nova Scotia increased the distribution by 11% late last year and by another 3% when the bank announced the fiscal Q2 2022 results.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) trades for \$65 at the time of writing compared to \$74 earlier this year. The drop in the share price occurred along with a broad pullback in energy stocks. TC Energy also had some company-specific news that recently put the stock under added pressure.

TC Energy announced that its Coastal GasLink pipeline development in Canada will now cost \$11.2 billion, up 70% from the original estimate. The news shouldn't have been a surprise for investors, as TC Energy had previously commented on the rising expenses due to COVID-19 delays and soaring material and labour costs. The positive side of the announcement is the agreement now reached with LNG Canada on the sharing of the cost increases for the project. Coastal GasLink is 70% complete and expected to be in commercial service in 2024.

TC Energy just issued \$1.8 billion in new stock through a bought deal offering to help cover the development costs of a new US\$4.5 billion pipeline project in Mexico. The share price has now bounced above the \$63.50 issue price, so more upside could be on the way, as the underwriters can now sell the stock at a profit.

TC Energy has a \$28 billion capital program on the go that should drive steady cash flow growth in the coming years to support dividend increases in the range of 3-5%. The board raised the payout in each of the past 22 years, so there is a good track record for investors seeking passive income.

TC Energy currently provides a 5.5% dividend yield.

The bottom line on top stocks to buy for TFSA passive income

Bank of Nova Scotia and TC Energy pay growing dividends with high yields. If you have some cash to put to work in a TFSA focused on passive income, these stocks look cheap right now and deserve to be on your radar.

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