



TFSA Passive Income: 2 Great Canadian Dividend Stocks for Retirees to Buy Now

Description

Retirees and other TFSA investors are searching for top TSX [dividend stocks](#) that pay safe and growing distributions for portfolios focused on passive income. The [market pullback](#) is finally providing a chance to buy some of the best Canadian dividend stocks at [undervalued](#) prices.

Fortis

Fortis ([TSX:FTS](#)) ([NYSE:FTS](#)) is a Canadian utility company with \$60 billion in assets located in Canada, the United States and the Caribbean. The businesses include power generation facilities, electricity transmission networks, and natural gas distribution utilities. Fully 99% of the overall revenue stream comes from regulated assets. This means Fortis has a good idea about how much cash flow it can expect to generate each year. That's good news for investors who want to know the dividends will be safe.

Fortis grows by making strategic acquisitions and investments in new developments. The current \$20 billion capital program is expected to increase the rate base from roughly \$30 billion in 2021 to more than \$40 billion in 2026. Management says the resulting increase in cash flow should support average annual dividend increases of 6% through at least 2025. The International utility has other projects on the drawing board that could get added to the plan. In addition, it wouldn't be a surprise to see Fortis make another acquisition in the next few years as the utility sector consolidates.

Fortis trades near \$60 per share at the time of writing compared to \$65 earlier this year. TFSA investors who buy the stock can get a 3.5% yield and simply wait for the dividend increases to boost their tax-free passive income. Fortis raised the dividend in each of the past 48 years.

TD Bank

TD ([TSX:TD](#)) ([NYSE:TD](#)) rarely goes on sale, but TFSA dividend investors can now buy the stock for close to \$85.50 compared to \$109 near the beginning of this year. Investors dumped bank stocks in

recent months amid rising recession fears. An economic slowdown is likely on the way, but the selloff in TD's share price looks overdone.

TD remains very profitable. In the first six months of fiscal 2022, TD generated adjusted net income of \$7.5 billion compared to \$7.1 billion in the same period last year. The big six bank finished fiscal Q2 with a common equity tier one (CET1) ratio of 14.7%. This means TD has significant excess capital to deploy on takeovers, share buybacks, or dividend hikes.

TD is using a good chunk of the funds to make two acquisitions in the United States. The largest is the US\$11.3 billion takeover of **First Horizon**. The deal will add more than 400 branches to the American retail banking business and will make TD a top-six bank in the U.S. market. The diversified bank is also buying **Cowen**, an investment bank, for US\$1.3 billion.

TD stock looks undervalued, but it isn't without risk. A deep and protracted recession combined with a crash in the Canadian housing market over the next two years would hit TD's revenue and profits. For the moment, economists predict a short and mild economic downturn and a controlled reduction in home prices.

TD raised its dividend by 13% late last year. Another generous payout increase is likely on the way for fiscal 2023. TD is one of the best dividend-growth stocks in the **TSX Index** with a compound annual dividend growth rate of roughly 11% over the past 25 years.

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

Fortis and TD pay attractive dividends that should continue to grow for decades. 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.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. cleona

Category

1. Dividend Stocks
2. Investing

Date

2025/08/27

Date Created

2022/08/12

Author

aswalker

default watermark

default watermark