



2 Cheap TSX Dividend Stocks to Buy Now for a TFSA or RRSP

Description

The [market correction](#) is providing self-directed TFSA and RRSP investors with an opportunity to buy top TSX dividend stocks at [undervalued](#) prices. Pullbacks are good for retirees seeking passive income and also help younger investors who want to buy great stocks at a discount when building their [retirement](#) portfolios.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is Canada's fourth-largest bank by market capitalization. It is also Canada's longest-running dividend payer. Bank of Montreal started paying dividends in 1829 and has given investors a share of the profits annually ever since that time.

The board raised the dividend by 25% late last year and increased the payout by another 4.5% when Bank of Montreal announced the fiscal second-quarter (Q2) 2022 results. In the first half of fiscal 2022, Bank of Montreal generated adjusted net income of \$4.77 billion, up 15% over the same period last year. Adjusted return on equity was high at 17.2% and up from 16.3% in the first half of fiscal 2021.

Bank of Montreal is using the large cash position it built during the pandemic to make a major acquisition. The company is buying **Bank of the West** for US\$16.3 billion in a deal that will add more than 500 branches to the BMO Harris Bank business south of the border and will give Bank of Montreal a strong foothold in the California market. The deal should drive solid future revenue growth and further diversifies the revenue stream.

BMO stock looks undervalued at the current share price near \$132.50. Bank of Montreal traded as high as \$154 per share earlier this year. Investors who buy the stock today can pick up a solid 4.2% dividend yield.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company with a [market capitalization](#)

of \$59 billion. The business provides essential mobile and internet services to companies and households across the country. These revenue streams should hold up well in an economic downturn and BCE has the power to raise prices in times of high inflation.

BCE's media group took a hit during the pandemic as advertisers reduced marketing budgets to protect cash flow. The segment is rebounding with media revenue rising 8.7% in Q2 2022 compared to the same period last year. Digital revenue, in particular, jumped 55%.

Overall free cash flow rose 7.1% in the quarter, supported by a 5.3% increase in adjusted net earnings.

BCE is spending about \$5 billion in 2022 on capital projects. The company will directly connect another 900,000 customer buildings with fibre optic lines as part of the fibre-to-the-premises program. BCE is also expanding its [5G](#) network. These initiatives should drive steady revenue growth in the coming years.

BCE is targeting free cash flow growth of 2-10% for 2022. That should support a solid dividend increase for 2023. The board typically raises the payout by about 5% each year.

BCE stock looks cheap today near \$64.50 per share. It traded as high as \$74 earlier this year. This is a good stock to buy for reliable passive income and for investors who want to use the dividends to buy new shares to harness the power of compounding. At the time of writing, BCE stock provides a 5.7% dividend yield.

The bottom line on top stocks to buy for a TFSA or RRSP

Bank of Montreal and BCE have great track records of paying attractive and growing dividends. If you have some cash to put to work in a TFSA focused on generating passive income or in a self-directed RRSP targeting total returns, these stocks look cheap right now and deserve to be on your radar.

CATEGORY

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