Retirement Wealth: 2 Top TSX Dividend Stocks to Buy for Passive Income and Total Returns

Description

Tax-Free Savings Account (TFSA) investors seeking tax-free passive income and Registered Retirement Savings Plan (RRSP) investors building portfolios for retirement have an opportunity right now to buy some great Canadian dividend stocks at undervalued prices.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry with a current market capitalization of more than $110 billion. The days of rapid growth driven by massive oil pipeline projects are probably over, and investors will likely see dividend growth in the range 3-5% per year rather than double-digit hikes.

That being said, Enbridge still has the ability to drive growth through acquisitions and smaller project opportunities that are emerging across the vast asset base. Management did a good job of shoring up the balance sheet through non-core asset sales before the arrival of the pandemic. This helped Enbridge get through the downturn in good shape and the rebound in global oil and natural gas demand bodes well for Enbridge and its investors in the coming years.

Enbridge is investing in export opportunities. The company bought an oil export platform and related energy infrastructure for US$3 billion in 2021. Enbridge has also announced a number of initiatives connected to the liquified natural gas (LNG) segment. The company is building new pipelines to bring natural gas to LNG facilities on the American Gulf Coast. In Canada, Enbridge is expanding its B.C. Pipeline System with service planned for 2026 and taking a 30% stake in the new Woodfibre LNG plant that is scheduled to go into service in 2027.

The $13 billion capital program should support steady revenue and cash flow growth in the next few years.

Enbridge trades near $55 per share compared to the 2022 high above $59.50. Investors have a chance to buy the stock on a dip and can pick up a solid 6.25% dividend yield.

Telus

Telus (TSX:T)(NYSE:TU) provides mobile, internet, security, and TV services to households and businesses across its wireless and wireline networks. The core revenue streams come from services that people and companies need to use regardless of the state of the economy. This makes Telus a good defensive pick for investors who are concerned that a meaningful recession could be on the way in 2023 or 2024.

Telus reported strong second-quarter (Q2) 2022 results. Adjusted net income came in at $422 million compared to $348 million in the same period last year. Total telecom subscriber connections rose 6.3% to more than 17.3 million.

Telus is nearing the end of a capital initiative that is replacing legacy copper lines with fibre optic connections. Management says capital outlays will drop to a run rate of about $2.5 billion starting next year. This should free up more cash flow for distribution to shareholders.

Telus typically increases its dividend twice per year with average annual increases in the 7-10% range expected over the medium term. The stock looks cheap right now near $30 per share and provides a 4.5% dividend yield.

Telus traded for more than $34 a few months ago. The Q2 results suggest the recession fears are not impacting the business, so the dip should be a buying opportunity.

The bottom line on top stocks to buy for passive income and total returns

Enbridge and Telus pay attractive dividends that should grow at a steady pace in the coming years. If you have some cash to put to work in a TFSA focused on passive income or a self-directed RRSP targeting total returns, these stocks deserve to be on your radar.

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