3 Dividend Stocks to Buy Now and Generate Passive Income Hand Over Fist

Description

The market pullback is giving TFSA investors focused on passive income a chance to buy top high-yield Canadian dividend stocks at undervalued prices.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's third-largest bank, but it is still a financial giant with a market capitalization of nearly $100 billion.

The stock currently trades near $81 per share compared to the 2022 high around $95. The selloff looks overdone, even if a recession emerges in 2023 or 2024 and slows down revenue and profit growth.

Bank of Nova Scotia remains well capitalized with a common equity tier-one (CET1) ratio of 11.6% at the end of fiscal the second quarter (Q2) 2022. The bank generated $5.5 billion in net income in the first six months of the fiscal year compared to $4.9 billion in the same period in 2021.

Bank of Nova Scotia raised the dividend by 11% last fall and by another 3% when it reported the fiscal Q2 results. The company increased its ownership stake in Scotiabank Chile earlier this year. In addition, Bank of Nova Scotia bumped up the size of its planned share buybacks buy 50% to 36 million. All of these initiatives indicate management has confidence in the revenue and profit outlook for the medium term.

At the time of writing, Bank of Nova Scotia provides a 5% dividend yield.

Power Corp

Power Corp (TSX:POW) is a holding company with investments primarily focused on insurance, wealth management, and asset management in Canada, the United States, and Europe. The subsidiaries include **Great-West Lifeco** (TSX:GWO) and **IGM Financial** (TSX:IGM) which are home to Canada Life, Irish Life, Empower, Putnam Investments, IG Wealth Management, Mackenzie

Investments, and Investment Planning Counsel. Power Corp and its subsidiaries also hold positions in fintech startups. Wealthsimple is one example.

The insurance businesses should benefit in an era of rising interest rates, as they can generate better returns on the cash they have to set aside for potential claims. The wealth management and asset management businesses generate attractive fee income to support the generous dividend.

Power Corp trades near $35.50 per share at the time of writing compared to the 2022 high around $44.50. Investors who buy the stock on the pullback can lock in a solid 5.6% yield and wait for the financial sector to rebound.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a profit machine right now with natural gas prices near new highs and oil prices still very profitable for the company, even after the drop over the past couple of months. WTI oil trades near US$90 per barrel at the time of writing. This is down from US$120 earlier this year, but still at a level where CNRL generates profits hand over fist.

In fact, free cash flow is so plentiful right now that CNRL just announced a special dividend of $1.50 per share. That’s on top of the quarterly base dividend of $0.75. Management is also using excess cash flow to reduce debt and buy back stock. These initiatives set the copy up well to increase the cash payouts to shareholders next year though another dividend increase and additional bonus distributions.

The board raised the base dividend by 28% in 2022, marking the 22nd consecutive year of dividend hikes. At the time of writing, the base payout provides a yield of 4.1%.

CNRL trades near $72.50 compared to $88 in June. The stock appears undervalued today, even if WTI oil stays in a range of US$80 to $90 per barrel.

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

Bank of Nova Scotia, Power Corp, and CNRL pay attractive dividends. If you have some cash to put to work in a TFSA focused on passive income and total returns, these stocks look cheap right now and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:POW (Power Corporation of Canada)

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Date
2025/07/19
Date Created
2022/08/19
Author
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