



Retirement Wealth: 2 Canadian Dividend Stocks to Buy Now and Hold for 25 Years

Description

TFSA and RRSP investors have a chance to buy top TSX dividend stocks at [undervalued](#) prices right now to help build significant savings and generate passive income for [retirement](#).

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank with a current [market capitalization](#) of \$156 billion. The stock has finally moved higher in the past few weeks after a steep selloff that saw the shares drop from \$109 to \$77. At the time of writing, TD still looks oversold at \$86 per share.

Investors dumped bank stocks on fears that a recession is coming and could be severe. That's definitely possible, but the consensus among economists is that an economic pullback in 2023 or 2024 will be mild and short. For the moment, the jobs market remains robust. As long as unemployment remains low, a recession shouldn't be deep or protracted.

The Bank of Canada and the U.S. Federal reserve are raising interest rates aggressively to slow the economy and bring inflation back down to a target range of 2-3%. The risk for investors is that high prices are already forcing consumers to reduce discretionary spending and a surge in mortgage costs could trigger a wave of personal bankruptcies and a crash in property prices. That's not the likely scenario, but investors need to keep it in mind.

At this point, however, the drop in TD's share price is likely already pricing in a downturn that is worse than what the market will probably experience. TD remains very profitable, with the first half of the fiscal second quarter (Q2) 2022 delivering adjusted net income of \$7.55 billion — a 5.5% increase over the same period last year.

looking ahead, TD is using its strong capital position to make strategic acquisitions in the United States that will drive revenue and profit growth in the coming years. TD is buying retail bank **First Horizon** for US\$13.4 billion and investment bank **Cowen** for US\$1.3 billion.

TD is a good stock to own for both passive income and total returns. The board raised the dividend by a compound annual rate of about 11% over the past 25 years and a \$10,000 investment in TD stock would have grown to \$185,000 today over that timeframe with the dividends reinvested.

The current dividend provides a 4.1% yield.

Telus

Telus ([TSX:T](#))([NYSE:TU](#)) trades near \$30 per share compared to \$34 earlier this year. The communications provider delivered solid Q2 2022 results with adjusted net income hitting \$422 million in the quarter, up 21% from the same period in 2021.

Telus accelerated its capital investments in the past couple of years, pushing ahead with its copper-to-fibre transition in the wireline business and ramping up its [5G](#) mobile network expansion. The company expects capital expenditures to decline to a run rate of about \$2.5 billion per year beginning in 2023. This will free up more cash flow that can be returned to shareholders through higher dividends and share buybacks.

Telus has interesting investments in digital disruption that could become meaningful contributors to revenue and profits the coming years. Telus Health and Telus Agriculture are growing quickly, and the market might not fully appreciate the potential value of these businesses.

Telus intends to raise the dividend by 7-10% annually over the medium term. The current payout provides a yield of 4.5%.

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

TD and Telus pay attractive dividends that should continue to grow at a steady pace. If you have some cash to put to work in a TFSA or RRSP focused on passive income and capital gains, these stocks look cheap today and deserve to be on your radar.

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