



Tax-Free Passive Income: 2 High-Yield Canadian Dividend Stocks to Buy Now for a TFSA

Description

Bargain hunters can still find good [TSX](#) dividend stocks to buy at [undervalued](#) prices for self-directed TFSA portfolios focused on generating reliable, high-yield, tax-free passive income.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a major player in the North American energy infrastructure [sector](#) with more than \$100 billion in natural gas pipelines, oil pipelines, and power generation assets in Canada, the United States, and the Caribbean.

TC Energy's share price fell in the past couple of months from \$74 in June to the current price near \$64.50. The drop across the entire energy sector is responsible for part of the pullback. Company-specific issues, including the recent sale of \$1.8 billion in stock at \$63.50, haven't helped. TC Energy also said its Coastal GasLink natural gas pipeline will cost \$11.2 billion — up 70% from the original price.

On the positive side, underwriters of the large share issue can already unload the stock at a decent profit, and TC Energy has an agreement in place with LNG Canada on cost sharing for Coastal GasLink. The project is 70% complete and will play a key role in moving natural gas from producers in northeastern British Columbia to the new liquified natural gas facility.

TC Energy has a \$28 billion capital program on the go that should drive revenue and cash flow growth in the coming years to support steady dividend increases. The board raised the payout in each of the past 22 years.

TRP stock looks undervalued at this level and offers investors seeking reliable passive income a solid 5.6% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) stock fell below \$71.50 last month. It trades for \$82 per share at the time of writing, but still appears cheap compared to a 2022 high of \$95. The steep decline in bank stocks over the past several months looks overdone, and bargain hunters have started buying shares of Bank of Nova Scotia and its peers ahead of the fiscal third-quarter (Q3) 2022 earnings reports.

Bank of Nova Scotia raised its dividend by 11% late in 2021 when the government lifted the pandemic ban on bank dividend hikes. The board increased the payout by another 3% after a strong Q2 2022 report and a solid start to the year. Net income for the six months ended April 30, 2022, came in at \$5.5 billion, up from \$4.85 billion in the same period last year.

Bank of Nova Scotia is using the excess cash it built up during the pandemic to buy back stock. The bank increased its share-repurchase target under the current normal course issuer bid (NCIB) by 50% to 36 million shares. Management also deployed some of the cash hoard to increase its stake in Scotiabank Chile. The boost in the share buybacks and the generous dividend increases suggest the management team is comfortable with the outlook for revenue and profits in the medium term.

Investors who buy the stock today can pick up a 5% dividend yield and wait for the next distribution hike to boost the return.

The bottom line on top stocks to buy for passive income

TC Energy and Bank of Nova Scotia pay attractive high-yield dividends that should continue to grow. If you have some cash to put to work in a TFSA focused on passive income, these stocks look oversold and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:TRP (Tc Energy)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred

6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/07/02

Date Created

2022/08/20

Author

aswalker

default watermark

default watermark