# Buy the Dip: 3 TSX Stocks to Buy Today and Hold Forever

### Description

The market pullback is giving Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors a chance to buy great Canadian dividend stocks at cheap prices.



## Royal Bank

**Royal Bank** (TSX:RY)(NYSE:RY) trades near $127 per share at the time of writing. The stock was above $149 earlier this year before investors started to get concerned about a looming recession.

An economic slowdown is likely. Royal Bank's own analysts predict a mild and short recession next year. This makes sense, as high prices are forcing people to use up savings or put off discretionary spending to pay for higher food and fuel costs. The jump in interest rates designed to bring inflation under control puts added pressure on businesses and households.

That being said, the selloff in RY stock appears overdone. Royal Bank generated $16.1 billion in profits in fiscal 2021 and the first half of fiscal 2022 delivered a 6% gain in earnings compared to the same period last year. Earnings growth could slow down if provisions for credit losses increase in the third and fourth quarter, but Royal Bank is in good shape to ride out the downturn. The company finished the second quarter (Q2) 2022 with a common equity tier-one ratio of 13.2%. This means it has excess capital to cover unexpected losses, buy back shares, or make acquisitions.

Royal Bank raised the dividend by 7% when it announced the Q2 2022 results. Investors who buy RY stock today can get a 4% dividend yield.

Royal Bank is a good stock to buy on meaningful dips. Long-term holders of the shares have enjoyed strong total returns.

## Telus

**Telus** (TSX:T)(NYSE:TU) trades near $30.50 per share right now compared to the 2022 high above

$34.50. The dip offers investors a chance to secure a 4.4% dividend yield and simply sit back and wait for the distribution to increase.

Telus is targeting annual dividend growth of 7-10% over the medium term. The board raised the payout in each of the past 22 years, and Telus tends to increase the distribution twice annually. The Q2 2022 earnings showed that Telus is executing its strategy of growing the customer base by investing heavily in network upgrades. Telus is nearing the completion of its copper-to-fibre transition and is focused on expanding the 5G network. Adjusted net income increased 21% compared to Q2 2021.

Capital outlays are set to drop considerably in 2023 and level off to a run rate of about $2.5 billion per year. This should free up excess cash for distribution to investors.

Telus is a good defensive stock to buy for a TFSA or RRSP portfolio due to the essential nature of its services.

## Canadian National Railway

**CN** (TSX:CNR)(NYSE:CNI) raised the dividend by 19% in 2022 and is buying back up to 6.8% of the outstanding stock under the current share-repurchase plan. The company's Q2 2022 earnings came in strong, supported by CN's ability to raise prices in the current era of high inflation. In fact, CN generated record adjusted operating income of $1.8 billion, up 29% from the same period last year.



Management says the business is on track to hit 2022 guidance of 15-20% adjusted diluted earnings per share (EPS) growth and free cash flow of $3.7-4.0 billion.

CN is a good stock to buy if you simply want to add a company to a buy-and-hold TFSA or RRSP fund and forget about it for decades.

## The bottom line on top stock to buy on the dip

Royal Bank, Telus, and CN are top TSX dividend stocks with long track records of distribution growth. If you have some cash to put to work in a self-directed TFSA or RRSP, these stocks deserve to be on your radar.

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TU (TELUS)
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