



Passive Income: 2 Great Canadian Dividend Stocks to Buy on a Pullback

Description

Retirees and other TFSA investors seeking reliable and growing passive income can take advantage of the recent [market correction](#) to buy top TSX dividend stocks at [undervalued](#) prices.

BCE ([TSX:BCE](#))([NYSE:BCE](#)) trades near \$66 per share at the time of writing compared to the 2022 high around \$74. Investors can use the dip to buy BCE stock at an attractive price and pick up a solid 5.6% dividend yield.

BCE is investing heavily to upgrade its networks. In 2022, BCE is investing \$5 billion across its wireless and wireline infrastructure. The company is expanding its [5G](#) network after spending \$2 billion on new 3,500-megahertz spectrum at the 2021 auction. BCE will also connect 900,000 more customer buildings with fibre optic lines this year. These initiatives set the stage for future revenue growth while helping BCE protect its wide competitive moat.

Adjusted earnings per share increased 4.8% in the second quarter (Q2) 2022 compared to the same quarter last year. Free cash flow increased 7.1% and is expected to grow by 2-10% for the year. BCE is on track to hit its 2022 guidance, and investors should see a dividend increase in the 5% range for 2023.

BCE is a good stock to buy if you are searching for a defensive dividend stock that should hold up well through an era of high inflation and a possible recession. The essential mobile and internet services provide steady revenue streams. At the same time, BCE has the power to raise rates when its costs increase.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a major player in the North American energy infrastructure industry with more than \$100 billion in assets and a current [market capitalization](#) of \$63 billion. The stock looks undervalued at \$64 per share today, down from \$74 in June before the drop in oil prices sent the entire energy sector into a pullback.

TC Energy is also under pressure on news that it recently issued \$1.8 billion in new shares at \$63.50 in a bought deal financing to help cover the cost of building a new US\$4.5 billion natural gas pipeline in Mexico. The underwriters have a 30-day option to buy another \$1.8 billion in stock at the offer price. This will likely keep the stock from moving materially higher in the short term, but investors can take advantage of the recent dip to secure a 5.6% dividend yield.

TC Energy has \$28 billion in capital projects on the go that should support steady revenue and cash flow growth. The board raised the dividend in each of the past 22 years and will likely increase the payout by 3-5% annually over the medium term.

TRP is a good stock to buy for investors who want to get exposure to rising demand for North American natural gas. The company already has more than 93,000 km of natural gas pipelines that connect producers to storage locations, utilities, and liquified natural gas facilities.

The bottom line on top stocks to buy for passive income

BCE and TC Energy are leaders in their respective industries and pay growing dividends with above-average yields. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:BCE (BCE Inc.)
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