TFSA Passive Income: 2 Top TSX Dividend Stocks to Own for Decades

Description

The market correction gives dividend investors a chance to buy top TSX stocks at cheap prices for self-directed TFSA portfolios.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) raised its dividend in each of the past 22 years with a compound annual dividend-growth rate of about 22%. That's a strong track record, especially for a business that relies on commodity prices to determine margins and profits.

CNRL's secret to success, even during downturns, lies in its diversified production base that includes the full hydrocarbon spectrum. The company owns oil sands, conventional heavy oil, light oil, offshore oil, natural gas liquids, and natural gas assets. CNRL tends to own 100% of its facilities. This increases risk on big projects, but it also give CNRL the flexibility to move capital quickly around the portfolio to take advantage of market moves.

Management is using bumper profits this year to reduce debt, buy back stock, raise the dividend, and pay out bonus distributions. The board increased the dividend by 28% in 2022 and CNRL recently announced a special dividend of $1.50 per share. That's on top of the $0.75 per share base dividend that is paid out each quarter.

The stock looks undervalued today trading at $70 compared to $88 in June. Investors who buy at the current level can pick up a 4.3% yield on the base dividend.

TD Bank

TD (TSX:TD)(NYSE:TD) trades for close to $85 per share at the time of writing compared to $109 earlier this year. The sharp drop in the share price occurred over the past few months, as investors started to worry about recession risks.

High inflation is forcing some households to use savings to cover the cost of food, gasoline, and utilities. People with higher disposable income are reducing discretionary spending to pay for essentials. The Bank of Canada and the U.S. Federal Reserve are raising interest rates to cool off the economy and reduce inflation. Higher borrowing rates will compound the challenges for people who have to renew their mortgages.

In the event there is a deep and prolonged recession and unemployment soars, TD and its peers could be in for a rough ride. That being said, the likely outcome is a mild and short recession, and the banks are in a good position to ride out a downturn.

TD has a strong capital position. In fact, the bank has so much cash to deploy it is making two acquisitions in the United States to drive future growth. The US$13.4 billion purchase of **First Horizon** and the US$1.3 billion takeover of **Cowen** will make TD a top-six retail bank in the United States and significantly increase the size of the investment banking business.

TD raised the dividend by 13% late last year and has a compound annual dividend-growth rate of about 11% over the past 25 years.

The stock currently provides a 4% dividend yield.

The bottom line on top stocks to buy for passive income

CNRL and TD have great track records of dividend growth. If you have some cash to put to work in a TFSA focused on passive income, these stocks look undervalued today and deserve to be on your radar.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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