



TFSA Passive Income: 2 Oversold TSX Dividend Stocks to Buy Now

Description

The [market correction](#) is providing [Tax-Free Savings Account](#) (TFSA) investors with a golden opportunity to buy top Canadian dividend stocks at discounted prices for portfolios focused on passive income. Here are two defensive stocks to consider that offer attractive dividend yields.

Sun Life Financial

Sun Life ([TSX:SLF](#))([NYSE:SLF](#)) has a [market capitalization](#) of \$33 billion. The company operates insurance, wealth management, and asset management businesses in Canada, the United States, Europe, and Asia.

Sun Life is strong on the insurance and asset management side in Canada. Insurance sales rose 11% in Q2 2022 compared to the same period last year, driven by group benefit sales. Canada wealth sales rose 16% to \$4 billion, supported by contributions from defined benefit and defined contribution plans involving corporate clients.

In the U.S., Sun Life is a leader in health and benefits plans. U.S. insurance sales rose 12% compared to Q2 2021, driven by strong dental and medical stop-loss sales. Sun Life's wealth management business in the U.S. operates as MFS, which is based in Boston.

The company's management operates in Canada and the U.S. and caters to institutional investors who are looking for expertise in fixed income and alternative assets.

The Asian operations probably offers the largest growth potential due to the sheer size of the population base in the countries where Sun Life operates. The company has businesses or joint-venture partnerships in India, the Philippines, Malaysia, Indonesia, China, Vietnam, and Singapore. The expected rise of the middle class across these regions over the coming decades should further drive demand growth for insurance and wealth management products.

The pandemic coupled with the market correction hit results in the first half of 2022, but these are short-term impacts and the broader outlook for the overall business still looks good.

Sun Life raised the dividend by 20% late last year and then hiked the quarterly payout by another \$0.03 per share to \$0.69 upon reporting Q1 2022 results. At the time of this writing, the dividend provides an attractive 4.75% annualized yield. Sun Life looks cheap today at less than \$58 per share. The stock was as high as \$74 in February.

Sun Life is a good stock to buy if you're searching for a high-yield financial stock, and want to avoid the housing risks associated with Canadian bank stocks.

Telus

Telus ([TSX:T](#))([NYSE:TU](#)) provides mobile, internet, security, and TV services to household and business customers across Canada. The company ramped up its capital programs in the past couple of years to accelerate the transition from copper to fibre optic lines.

Telus is also investing in the expansion of its [5G](#) mobile network after spending \$1.9 billion on 3500 MHz spectrum last year at the government auction. The copper-to-fibre initiative is nearly complete and management expects the capital outlays to drop back to an annual run-rate of about \$2.5 billion starting next year. That means more cash flow should be available for shareholder distributions.

Telus has a solid track record of dividend growth. The company typically increases the payout twice per year and is targeting annual increases in the 7-10% range. At the time of this writing, the dividend provides an attractive annualized yield of 4.6%.

Telus generated strong Q2 2022 results. Adjusted net income came in at \$422 million compared to \$348 million in the same period last year. The stock is down to less than \$30 from more than \$34 in April. The market might not fully appreciate the long-term growth potential of some of its subsidiary businesses, including Telus Health and Telus Agriculture.

Telus is a good stock to buy if you're concerned about a possible recession and want to add a defensive pick to the portfolio.

The bottom line on top stocks to buy for passive income

Sun Life and Telus pay attractive dividends that should continue to grow. 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

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3. TSX:SLF (Sun Life Financial Inc.)
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