Got $2,000? Here Are 3 Smart TSX Stocks to Buy Now

Description

The market correction is giving savvy Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors a chance to buy top TSX dividend stocks at undervalued prices for portfolios focused on passive income and long-term total returns.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) trades near $58 per share at the time of writing compared to a high around $65 earlier this year. The pullback gives investors an opportunity to buy the dividend star at a cheap price and pick up a decent 3.7% yield.

Fortis owns $60 billion in utility assets that include power generation, electricity transmission, and natural gas distribution businesses. The company grows through a combination of strategic acquisitions and internal projects. Fortis is currently working through a $20 billion capital program that is expected to increase the rate base by an average of 6% per year through 2026. This will boost revenue and cash flow to support steady dividend growth. Management is targeting average annual dividend increases of 6% through 2025.

Fortis is a good stock to buy if you want to add a defensive stock to your TFSA or RRSP portfolio. The yield isn't as high as what other stocks offer right now, but the dividend growth quickly makes up for it, and the guidance should be solid. Fortis has raised the dividend in each of the past 48 years.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a good stock to buy in the current environment of high inflation and economic uncertainty. The communications giant has the power to raise prices when its costs increase. At the same time, the revenue stream from the mobile and internet subscriptions should hold up well, even if the economy goes through a recession.

BCE pays a generous dividend that should continue to grow at around 5% per year, which is in line with the long-term average. Management confirmed the 2022 financial guidance when BCE reported second-quarter (Q2) 2022 results. Adjusted net earnings rose 5.3% year over year, and free cash flow jumped 7.1%.

Adjusted earnings per share is expected to rise 2-7% for the year and free cash flow growth remains on track to be 2-10% in 2022.

BCE's media business continues to rebound from the pandemic, as advertisers allocate more money to radio, TV, and online promotions. The group rounds out the strong wireless and wireline operations and makes BCE a powerful force in the Canadian market. In fact, any time a person sends a text, makes a phone call, listens to the news, checks e-mail, streams a movie, or watches sports, the odds are pretty good that a BCE asset is involved somewhere along the line.

BCE stock trades below $64 at the time of writing compared to $74 earlier this year. Investors who buy at the current price can get a 5.8% dividend yield.

Suncor

Suncor (TSX:SU)(NYSE:SU) is benefitting from the rebound in oil prices, but the market is still not appreciating the recovery in profits and the potential upside for the stock price. Suncor generated nearly $4 billion in profits in Q2 2022 compared to less than $900 million in the same period last year. At the time of writing, Suncor trades for $42.50 per share. This is below the price the stock fetched in early 2020 before the arrival of the pandemic when West Texas Intermediate (WTI) oil traded around US$60 per barrel. Today, WTI oil is at US$90 and fuel demand is expected to grow in the next couple of years.

Suncor's quarterly dividend is now at a new high of $0.47 per share. Management is using excess cash to reduce debt and buy back up to 10% of the outstanding stock under the current share-repurchase plan. These initiatives should benefit investors in the long run and drive up the share price.

Oil prices are expected to remain elevated for the next few years due to limited scope for supply growth from major global producers amid a reduction in investment during the pandemic and pressure to meet ESG (environmental, social, and governance) goals.

Suncor looks undervalued and is a good stock to buy if you are of the opinion that oil prices are heading higher.

The current dividend provides a 4.4% yield.

The bottom line on top dividend stocks to buy now

Fortis, BCE, and Suncor pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP, these stocks look cheap today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:BCE (BCE Inc.)
5. TSX:FTS (Fortis Inc.)
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