



## Passive Income: 2 Undervalued Dividend Stocks to Buy Now and Own for Decades

### Description

The [market correction](#) is giving retirees and other dividend investors seeking reliable passive income a chance to buy top [TSX](#) dividend stocks at discounted prices. Buying dividend stocks on a dip raises the yield you can get on the initial investment and provides an opportunity for higher total returns when the share price rebounds.

### Canadian Natural Resources

Dividend investors often view commodity stocks as risky and unreliable. The view makes sense, since the market price of the product determines whether or not the company generates profits. This lack of price control means revenue can be volatile and dividends variable.

That has certainly been the case in much of the energy [sector](#). However, **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) has proven that it can ride out tough times and even maintain a steady pace of dividend increases during the downturns. In fact, CNRL has raised the dividend in each of the past 22 years and has delivered a compound annual dividend-growth rate of 22% over that timeframe.

CNRL is currently generating a bonanza of profits. This allows management to pay down debt, buy back stock, raise the dividend, and even hand out bonus distributions to investors. The lower net debt goes, the more generous the board will be with the special dividend payments. Under the current policy for allocating excess cash, 50% of the surplus funds goes toward debt reduction and the other half is earmarked for share buybacks.

In the second-quarter (Q2) 2022 report, CNRL announced a bonus dividend of \$1.50 per share for the quarter. That's on top of the \$0.75 per share quarterly base dividend. CNRL raised the base dividend by 28% for 2022. Another generous hike should be on the way in 2023.

Oil and natural gas prices remain at very high levels and the situation is not expected to change much

in the near term. Demand continues to recover after the pandemic slump and industry leaders say they have limited capacity to boost supply in a meaningful way due to investment cuts made over the past two years.

At the time of writing, CNRL trades near \$72.50 per share. That's down from \$88 in June. Investors who buy today can pick up a solid 4.1% base dividend yield and wait for special dividends in the coming quarters to boost the return.

## Manulife

**Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) trades for less than \$23 per share at the time of writing compared to \$28 earlier this year. At the current price investors can pick up a 5.8% dividend yield and simply wait for the financial sector to rebound.

Manulife generated record profits of \$7.1 billion in 2021 and raised the dividend by 18% for 2022. The insurance businesses then took a hit from Omicron in the first quarter of this year as higher morbidity and mortality claims in Canada and the United States drove up expenses while lockdowns in Asia reduced product sales. The second quarter of 2022 brought the market selloff, which had an impact on the wealth and asset management businesses. These negative events are hard on shareholders, but they tend to be short term in nature.

In the coming quarters, Manulife should benefit from rising interest rates as the businesses that need to set cash aside for potential claims will be able to get much better returns. Looking beyond 2023 and 2024, middle-class growth in Asia should drive strong revenue expansion, as people seek out insurance and wealth management products and services.

Manulife is a good stock to buy if you are searching for a high-yield financial pick but don't want the residential mortgage risk that comes with owning the Canadian banks.

## The bottom line on top stocks to buy for passive income

CNRL and Manulife 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 look cheap today and deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:MFC (Manulife Financial Corporation)

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