



2 Canadian Stocks to Buy Now and Earn Passive Income Forever

Description

The [market correction](#) is providing [TFSA](#) investors with an opportunity to buy top TSX dividend stocks at [undervalued](#) prices for a portfolio focused on passive income. Dips in the share price boost the yield on the dividends for new buyers and can lead to strong total returns when the stock recovers.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is one of those high-quality, high-yield dividend stocks that investors can simply buy and forget for decades. The company is a giant in the Canadian communications industry with a current [market capitalization](#) of more than \$57 billion. Being big has its advantages in this sector due to the large capital outlays required to keep the network infrastructure updated, as demand grows for broadband capacity.

BCE is spending \$5 billion in 2022 on its fibre-to-the-premises program and the expansion of the [5G](#) mobile network. The company will directly connect another 900,000 clients with fibre optic lines. In addition, BCE is ramping up 5G investments after spending \$2 billion on new 3,500-megahertz spectrum at the government auction last year.

BCE generates solid profits and free cash flow. Adjusted earnings per share increased 4.8% in the second quarter (Q2) of 2022 compared to the same period last year. Free cash flow increased by 7%. Management says the business is on track to hit 2022 financial targets, despite the economic headwinds.

BCE gets most of its revenue from essential mobile and internet services, so it should be a good stock to buy and hold through an economic downturn.

At the time of writing, BCE trades for less than \$63.50 per share compared to the 2022 high around \$74. Investors who buy at the current price can pick up a 5.8% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) raised the dividend by 11% near the end of 2021 and increased the payout by another 3% when the company announced the fiscal Q2 2022 results. Management also increased the share-buyback target by 50% earlier this year from 24 million shares to 36 million. These decisions suggest that the company isn't overly concerned about the revenue and profits outlook over the medium term.

[Bank stocks](#) have taken a beating in recent months amid rising fears about a potential recession. The combination of high inflation and soaring interest rates will likely cool off the hot economy and is already impacting an overheated housing market. Banks are seeing capital markets activity slow down and households will likely use up savings or defer discretionary spending to cover rising expenses for food, gas and utilities.

The selloff in Bank of Nova Scotia's share price, however, looks overdone. Economists broadly expect a recession, if it emerges, to be short and mild in Canada. The bank continues to generate strong profits and has a large capital cushion to ride out tough times. Net income for the first nine months of fiscal 2022 came in at \$8.08 billion compared to \$7.4 billion last year.

Investors can buy Bank of Nova Scotia for \$72 per share at the time of writing compared to the 2022 high of \$95. At the current price, the dividend provides a 5.7% yield.

The bottom line on top stocks to buy for passive income

BCE and Bank of Nova Scotia 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

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. TSX:BCE (BCE Inc.)
4. TSX:BNS (Bank Of Nova Scotia)

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