



## 3 Cheap TSX Dividend Stocks With Big Potential Upside

### Description

The [market correction](#) is giving Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors a chance to buy top Canadian dividend stocks at [undervalued](#) prices for self-directed retirement portfolios.

### TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) trades for close to \$87.50 at the time of writing compared to a 2022 high of \$109. Big pullbacks in TD's share price have historically proven to be great buying opportunities for investors who want to build substantial retirement portfolios.

A \$10,000 investment in TD stock 25 years ago would be worth about \$180,000 today with the dividends reinvested.

TD is betting big on the American economy to drive future growth. The company is buying **First Horizon**, a retail bank, for US\$13.4 billion. Upon closing, the deal will add 400 branches to TD's U.S. operations and make TD a top-six bank in the American market. TD is also buying **Cowen**, an investment bank, for US\$1.3 billion.

TD stock looks oversold right now. The bank is on track to beat fiscal 2021 profits in fiscal 2022, and the board will likely give investors another double-digit dividend increase for fiscal 2023. Investors who buy the stock at the current level can get a 4% yield.

### Bank of Montreal

**Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is also betting big on growth in the United States. The bank is buying California-based **Bank of the West** for US\$16.3 billion. The deal will add more than 500 branches to Bank of Montreal's existing American business, BMO Harris Bank, that is primarily focused on the midwestern states. Bank of the West gets 70% of its deposits from clients in California, so the purchase gives Bank of Montreal a good platform to expand in the state.

Bank of Montreal paid its first dividend in 1829 and has given investors a slice of the profits every year since that time. The board raised the dividend by 25% late last year and increased it by another 4.5% when the bank announced the fiscal second-quarter (Q2) 2022 results.

The stock trades near \$126.50 at the time of writing compared to more than \$154 earlier this year. Investors can pick up a 4.4% dividend yield right now and wait for the bank sector to rebound.

## Algonquin Power

**Algonquin Power** ([TSX:AQN](#))([NYSE:AQN](#)) raised its dividend by 6% in 2022, and investors received a 10% increase annually in the past decade. The company is in the process of making a large acquisition that will significantly shift the revenue stream more to regulated utility assets. Algonquin Power is buying Kentucky Power in a US\$2.85 billion deal that will increase the regulated rate base by 32% and grow the customer base by 19%.

The stock trades for less than \$18 at the time of writing compared to \$20 in April. Investors who buy the shares at the current level can pick up a 5.2% dividend yield. Algonquin Power has a long track record of growing through strategic acquisitions. Once the Kentucky Power deal closes, investors should see the share price drift higher.

## The bottom line on cheap stocks to buy for total returns

TD Bank, Bank of Montreal, and Algonquin Power pay attractive dividends that should continue to grow. The acquisitions should drive revenue and profit expansion in the coming years, setting the stocks up for decent potential gains. If you have some cash to put to work, these stocks look cheap right now and deserve to be on your radar.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BMO (Bank of Montreal)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
5. TSX:BMO (Bank Of Montreal)
6. TSX:TD (The Toronto-Dominion Bank)

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