Retirement Investing: 2 Top TSX Dividend Stocks to Buy Now for a TFSA or RRSP

Description

Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors can take advantage of the 2022 market correction to buy great Canadian dividend stocks at cheap prices for their retirement portfolios. Buying top stocks on a dip increases the dividend yield and sets the investor up for attractive total returns when the stock price rebounds.

Royal Bank

Royal Bank (TSX:RY)(NYSE:RY) trades for $126 per share at the time of writing and offers investors a solid 4% dividend yield. The stock was above $149 at its 2022 high, so there is decent upside potential when the bank sector rebounds.

Royal Bank earned $16.1 billion in fiscal 2021, and the company is on track to top that amount in fiscal 2022. Investors are concerned, however, that 2023 and 2024 could be a different story. The economy is likely headed for a recession next year, according to Royal Bank's own analysts. High inflation combined with rising interest rates will put pressure on household budgets. Discretionary spending will shift to essential items such as food and gas, and some people will have to draw down savings to cover rising mortgage payments.

While the bank will likely see revenue growth slow down and loan losses move higher, Royal Bank has a strong capital position to ride out the downturn and will still generate strong profits. The board raised the dividend by 11% late last year and bumped it up another 7% when the bank reported fiscal second-quarter 2022 results. This probably means the management team is comfortable with the profit outlook.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a good stock to buy if you want to have exposure to the energy sector but don't want to take on the direct risks connected to volatile oil and natural gas prices. Enbridge isn't a producer; it simply transports the commodities from the production sites to storage locations, refineries, or utilities and charges a fee for providing the service.

Growth used to come from the construction of major oil pipeline projects. Those days are likely over due to the challenges faced in getting mega-pipelines approved and built. Enbridge is now focused on smaller extension opportunities across the vast assets base as well as investments in new segments, including hydrogen and carbon capture.

The company is also positioning itself to capitalize on the rising international demand for North American oil and natural gas. Enbridge bought an oil export terminal for US$3 billion last year and is investing in liquified natural gas (LNG) infrastructure. The company recently announced a deal to take a 30% stake in the $5.1 billion Woodfibre LNG site being built in British Columbia.

Enbridge trades near $54 at the time of writing compared to above $59 in early June and now offers a 6.3% dividend yield. Management has increased the dividend in each of the past 27 years. The current $13 billion capital program should support dividend growth in the near term.

The bottom line on top stocks to buy for a TFSA or RRSP

Royal Bank and Enbridge pay attractive dividends that should continue to grow. The stocks look cheap right now and deserve to be on your radar for a TFSA focused on passive income or a self-directed RRSP targeting total returns.

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