TFSA Passive Income: 2 Top Canadian Dividend Stocks to Own for 20 Years

Description

The market correction is giving TFSA investors an opportunity to buy good TSX dividend stocks at cheap prices for portfolios focused on passive income. Yields are high right now, and top dividend-growth stocks should continue to raise their payouts.

BCE

BCE (TSX:BCE)(NYSE:BCE) looks undervalued today, trading for less than $62 per share. The stock was above $73 a few months ago, and little has changed since that time regarding the outlook for revenue and profits.

BCE gets most of its cash flow from mobile and internet services that people and businesses need regardless of the state of the economy. The rebound in travel for work and play is expected to drive up roaming revenues in the coming quarters, and BCE should see revenue expansion in the next few years as its investments in fibre optic lines and 5G mobile networks drive higher plan fees and open the door for new product offerings.

BCE is spending $5 billion in 2022 on the capital initiatives. The company will run fibre optic connections directly to the premises of an additional 900,000 clients. In addition, the 5G network is expanding after BCE spent $2 billion last year on new 3,500-megahertz spectrum at the government auction.

Adjusted net earnings rose 5.3% in the second quarter (Q2) of 2022 compared to the same period last year, so the business is performing well. Free cash flow, which is important for dividend investors, rose 7.1% in the quarter compared to Q2 2021. BCE is on target to hit its guidance of 2-10% free cash flow growth this year. This means investors should see a decent dividend increase in 2023. BCE raised the dividend by at least 5% in each of the past 14 years.

At the time of writing, investors can pick up a 6% dividend yield.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is betting big on the U.S. economy. The bank is buying **Bank of the West** for US$16.3 billion in a deal that will add more than 500 branches to the existing American operations and will give Bank of Montreal a strong foothold in the California market. Bank of the West gets 70% of its deposits from clients in the state.

The deal is the next phase of a U.S. growth strategy that began in the 1980s when Bank of Montreal purchased Harris Bank. The addition of Bank of the West to the portfolio further diversifies the overall revenue stream and should drive solid long-term growth.

Bank of Montreal's share price is down considerably in recent months, along with all the other Canadian bank stocks. Investors are concerned that a recession will hammer revenue and drive up loan losses. Some pain is expected, but the drop in the share price from more than $154 earlier this year to $126 at the time of writing appears overdone.

Bank of Montreal raised the dividend by 25% late last year and gave investors another 4.5% increase when the bank reported fiscal Q2 2022 results. This suggests the management team is comfortable with the profit outlook.

Investors who buy BMO stock at the current level can pick up a 4.4% yield and wait for the next dividend increase.

The bottom line on top stocks to buy for passive income

BCE and Bank of Montreal 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 and deserve to be on your radar.

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