
Passive-Income Alert: 2 Great Canadian Dividend Stocks Trading at Cheap Prices

**Description**

The market correction is a bit scary, but it gives Tax-Free Savings Account (TFSA) investors seeking quality passive income a chance to buy top TSX dividend stocks at cheap prices.



## TD Bank

**TD** (TSX:TD)(NYSE:TD) is Canada's second-largest bank with a current market capitalization of $156 billion. Investors are broadly familiar with the Canadian retail banking operations, but TD's U.S. group is the part that is arguably the most attractive right now.

TD is in the process of making two acquisitions in the United States. The purchase of **First Horizon** for US$13.4 billion will add more than 400 branches in the southeastern states. TD already has operations that run from Maine down the east coast to Florida, so the addition of First Horizon makes geographic sense. The deal will bump TD up the ranks to a top-six position in the American market. TD is also purchasing **Cowen**, an investment bank, for US$1.3 billion. The move will significantly enhance TD's capital markets business.

TD stock trades near $86 per share at the time of writing compared to $109 earlier this year. The bank is on track to top 2021 adjusted earnings in 2022 and should deliver solid results in 2023 and 2024, despite the economic headwinds. Rising interest rates will slow down loan growth and likely drive up loan defaults, but higher interest rates also tend to boost net interest margins, and this should help offset the negative impact of rate increases.

Investors who buy TD stock at the current level can pick up a 4.1% yield and look forward to steady dividend growth. The board raised the payout by 13% for fiscal 2022 TD's long-term compound annual dividend-growth rate is above 10%.

## Fortis

**Fortis** (TSX:FTS)(NYSE:FTS) is a utility company with $60 billion in assets spread out across Canada, the United States, and the Caribbean. The firm gets 99% of its revenue from regulated businesses that include power generation, electricity transmission, and natural gas distribution operations. These are essential services with revenue streams that tend to be reliable and predictable. This is important for investors seeking steady passive income.

Fortis is working on a $20 billion capital program that will increase the rate base by more than 30% over a five-year period through 2026. The resulting boost in cash flow is expected to support average annual dividend increases of 6% until at least 2025. That's good guidance for dividend investors in an era of economic uncertainty. Fortis increased the distribution in each of the past 48 years.

Fortis stock trades near $56 at the time of writing compared to $65 earlier this year. The pullback appears overdone, and investors can now secure a 3.8% yield. This is a bit lower than yields available from other stocks, but the dividend growth will make up for it in the next few years.

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

TD and Fortis are reliable dividend stocks that should continue to raise their distributions at a steady pace. If you have some cash to put to work in a TFSA focused on passive income, these stocks deserve to be on your radar.



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