TFSA Passive Income: 2 High-Yield Canadian Stocks for Retirees to Buy Now

Description

Retirees and other investors seeking reliable passive income can take advantage of the market correction to buy top TSX dividend stocks trading at undervalued prices.

Manulife

Manulife (TSX:MFC)(NYSE:MFC) trades for $21.50 at the time of writing compared to $28 earlier this year. Investors who buy the stock at the current level can get a 6.1% dividend yield and simply wait for the next increase in the distribution.

Manulife generated record profits in 2021. Things have been a bit more challenging in 2022. The Omicron COVID-19 surge in the first part of the year drove up morbidity and mortality insurance claims in Canada and the United States. Lockdowns in Asia slowed sales of insurance products and wealth management services.

The second quarter (Q2) brought the start of the market correction, and Q3 2022 looks like it is going to close out on a rough note as well. All of these issues, however, should be short term in nature, and patient investors should do well with Manulife stock over the long haul.

In fact, the market might be underestimating the benefit the company's insurance business should get from rising interest rates. Manulife has to set aside significant cash to cover potential claims. The jump in rates means this money can earn a higher return. When you are talking about billions of dollars, an extra 2-3% is meaningful.

Manulife is a good stock to buy if you want to boost the exposure to financial stocks, but don't want to take on the housing risk that comes with the banks.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $51 per share at the time of writing compared to $59 just a few months ago. The drop in the price of oil is hitting the broader energy sector, but the selloff in ENB stock looks overdone.

Enbridge doesn't pump oil and natural gas out of the ground. The company simply moves the commodities from the producers to the final destinations. This could be refineries, storage sites, liquified natural gas (LNG) facilities, or utilities. Enbridge charges a fee for providing the transportation service, so the volatility in the oil and natural gas markets has limited direct impact on revenue and profits. The thing that matters is throughput on the pipeline system.

Demand for oil and natural gas have rebounded off the 2020 lows and the outlook is positive for North American producers. The war in Ukraine has forced international buyers to seek reliable long-term supply of both oil and LNG. Enbridge moves 30% of the oil produced in Canada and the United States. The company also bought an oil export terminal last year for US$3 billion and is investing in LNG facilities and infrastructure.

The board raised the dividend in each of the past 27 years. Enbridge's current $13 billion capital program should support additional increases over the medium term. Investors who buy the stock at the current price can get a 6.75% yield.

The bottom line on top high-yield stocks to buy now

Manulife and Enbridge are industry leaders that pay attractive dividends. If you have some cash to put to work in a Tax-Free Savings Account focused on passive income, these stocks look cheap and deserve to be on your radar.

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