



Tax-Free Passive Income: 2 Top TSX Dividend Stocks for TFSA Investors to Buy Now

Description

The [market correction](#) is tough to watch, but pullbacks give retirees and other [Tax-Free Savings Account \(TFSA\)](#) investors focused on passive income a chance to buy great Canadian dividend stocks at cheap prices. Yields are now at attractive levels, and there is potential for big total returns once the market recovers.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) trades near \$121 per share at the time of writing compared to \$154 in the early part of 2022. At the current share price, investors can pick up a solid 4.6% dividend yield and simply wait for dividend growth to boost the yield on the investment. Bank of Montreal paid its first dividend in 1829, and investors have received a distribution every year since that time.

The board raised the dividend by 25% late last year and increased the payout by another 4.5%, when Bank of Montreal reported fiscal second-quarter (Q2) 2022 earnings. This would suggest the management team is confident in the bank's ability to ride out the current economic headwinds.

Bank of Montreal built up significant excess cash during the pandemic and is using a good chunk of the funds to make a strategic acquisition in the United States. BMO is buying California-based **Bank of the West** for US\$16.3 billion. The deal adds more than 500 branches and will expand Bank of Montreal's American operation beyond the core Midwestern states, where it currently has most of its operations under the BMO Harris Bank brand.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) trades for \$62 per share at the time of writing compared to the June high around \$88. The steep drop has occurred, as oil and natural gas prices pulled back from their 2022 highs. West Texas Intermediate oil is now at US\$81 per barrel, which is

still very profitable for CNRL.

The company has one of the lowest-cost structures in the Canadian energy sector and boasts a diversified asset base that includes oil sands, conventional heavy oil, conventional light oil, offshore oil, and natural gas operations. Natural gas exports from Canada and the United States are expected to grow considerably in the coming years, as international demand for liquified natural gas (LNG) rises. The war in Ukraine is forcing countries to find new suppliers and utilities around the globe are replacing coal and oil with natural gas as a fuel to generate electricity.

CNRL raised its dividend by 29% in 2022 and has increased the payout in each of the past 22 years. Excess cash flow in Q2 2022 resulted in a bonus dividend of \$1.50 per share on top of the regular quarterly payout of \$0.75. The base dividend provides a 4.8% yield right now.

Oil prices could take off again once China lifts its COVID-19 lockdowns and the U.S. government ends its release of strategic reserves designed to bring down gas prices ahead of the coming midterm elections in early November.

The bottom line on top stocks to buy for passive income

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

CATEGORY

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2. Investing

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2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BMO (Bank Of Montreal)
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