TFSA Investors: 2 Cheap TSX Stocks to Buy Now for Passive Income

Description

The market correction is giving Tax Free Savings Account (TFSA) investors a chance to buy top Canadian dividend stocks at undervalued prices for portfolios focused on passive income.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications company with a market capitalization of $56 billion. The stock trades near $61 per share at the time of writing compared to $74 earlier this year. Investors who buy BCE at the current price can pick up a solid 6% dividend yield and simply wait for the market to recover.

BCE is a good stock to buy if you are concerned that a recession is on the way next year. BCE's mobile and internet services revenue should hold up well, even if times get tough. Businesses and households need to communicate and have access to the internet regardless of the state of the economy. That being said, the company isn't immune to an economic downturn. Advertising revenue in the media business could come under pressure.

BCE has the power to raise prices when its costs increase. This makes the stock attractive to own in an environment of high inflation.

The board raised the dividend by at least 5% annually in the past 14 years. Investors should see another dividend hike in the same range for 2023. BCE is on track to hit its financial targets for the year, even as the economy is expected to weaken.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is another top Canadian dividend stock that should be good to buy and hold during economic turmoil. The utility has $60 billion in assets spread out across Canada, the United States, and the Caribbean. Businesses include power production, electricity transmission, and natural gas distribution operations. Fortis gets 99% of its revenue from regulated assets. This means cash flow should be predictable and reliable.

Fortis raised the dividend in each of the past 48 years. This is an important point to consider when evaluating stocks for a portfolio focused on passive income. The board currently plans to raise the dividend by an average of 6% per year through 2025. That’s great guidance in uncertain economic times.

Fortis has a solid track record of driving growth through a combination of strategic acquisitions and development projects. The current $20 billion capital program will increase the rate base from about $30 billion to more than $41 billion over a five-year timeframe. The resulting cash flow growth should support the projected dividend increases.

Fortis stock appears oversold right now. The share price is down to $55.50 from $65 earlier this year. At the current level, investors can get a 3.85% yield. This isn’t as high as some other stocks, but the dividend growth is attractive and will boost the return on the initial investment in the coming years.

The bottom line on top TSX dividend stocks to buy for passive income

BCE and Fortis are reliable dividend stocks with safe distributions. If you have some cash to put to work in a TFSA focused on passive income, these stocks look cheap today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:FTS (Fortis Inc.)

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