2 Top TSX Dividend Stocks to Buy Now for a TFSA Pension

Description

The market correction is providing TFSA investors who are seeking passive income and long-term returns with a chance to buy top TSX dividend stocks at undervalued prices. Here are two to consider.

Canadian Natural Resources Limited (CNRL)

CNRL (TSX:CNQ)(NYSE:CNQ) is Canada's largest energy producer with a market capitalization of $83 billion. The company has a broad asset base across the full spectrum of the hydrocarbon sphere, including oil sands, conventional heavy oil, conventional light oil, offshore oil, natural gas liquids, and natural gas. CNRL's low-decline and long-life resources help the company produce at relatively low costs and generate strong revenue and cash flow throughout the volatile cycles of the oil and gas markets.

In addition, CNRL enjoys the flexibility of quickly shifting capital around its various assets to take advantage of the best opportunities in the market as prices fluctuate. The natural gas side of the business doesn't get as much attention from investors as the oil assets, but it's a key component of the company's current and future success.

Natural gas prices have soared in the past couple of years and changing dynamics in the global market bode well for Canadian natural gas producers. Global demand for reliable liquified natural gas (LNG) is on the rise as countries seek out secure sources to generate power, fuel industry, and heat buildings. The construction of LNG facilities on the British Columbia coast will provide access to buyers in Asia and other areas.

CNRL raised its dividend by 28% in 2022 after a 25% increase in late 2021. The current quarterly distribution is $0.75 per share. Management is also using excess cash to reduce debt and buy back stock, as well as payout special dividends on top of the base distribution.

Investors who buy CNQ stock at the current price can get a base yield of 4%. The company recently gave investors a bonus dividend of $1.50 per share based on the Q2 2022 results.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) trades for less than $65 at the time of this writing compared to a high of $95 in the first quarter of this year. The steep drop has occurred amid a broad aversion to bank stocks that is due to rising recession fears.

It's true that the economy is likely headed for a rough ride in 2023 or 2024. The Bank of Canada and the U.S. Federal Reserve are trying to get inflation under control by raising interest rates. Higher rates tend to be positive for the banks as they can drive up net interest margins. However, the market is more focused on the expected slowdown in revenue growth and a potential surge in loan defaults.

At this point, most of the bad news is probably priced into the share price. Bank of Nova Scotia trades for about 7.75 times trailing 12-month earnings right now. This would generally reflect an outlook of a financial crisis. What will actually happen in the next two years is anyone's guess, but the general consensus among economists is a short and mild recession.

Investors can now get a 6.4% dividend yield from Bank of Nova Scotia and look forward to ongoing dividend increases. The board raised the payout by 11% late last year and by another 3% when the bank announced fiscal Q2 2022 results.

The bottom line on top dividend stocks to buy now

CNRL and Bank of Nova Scotia pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA pension, these stocks look undervalued and deserve to be on your radar.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CNQ (Canadian Natural Resources Limited)

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