



TFSA Investors: If You Like Dividends, You Should Love These 3 Stocks

Description

The [market correction](#) is providing investors with a chance to buy great Canadian dividend stocks at [undervalued](#) prices. Here are three to consider.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) trades near \$52 per share at the time of this writing compared to \$65 earlier this year. The steep pullback gives dividend investors a chance to buy one of Canada's top dividend-growth stocks at a bargain price.

Fortis owns \$60 billion in utility assets that include power generation, electricity transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean. These are regulated operations with reliable and predictable revenue and cash flow. Tough economic times might reduce some power and [natural gas](#) consumption, but businesses and households need to keep the lights on and heat buildings regardless of the state of the economy. As a result, this stock is highly defensive.

Fortis has a \$20 billion capital program on the go that is expected to boost the rate base by roughly a third through 2026. The resulting increase in revenue and cash flow should support management's plan to raise the dividend by an average annual rate of 6% through 2025. Fortis has increased the dividend in each of the past 48 years, so investors should be confident in this guidance.

At the time of this writing, the stock provides a 4.3% yield.

TD Bank

TD ([TSX:TD](#)) trades near \$86 per share at the time of this writing compared to \$109 at the 2022 peak. The big drop in share price is part of a broad decline in [bank stocks](#) that has occurred this year due to rising recession fears.

The Bank of Canada and the U.S. Federal Reserve are raising interest rates to cool off an overheated economy and get inflation back down to 2%. In September, inflation in the U.S. was 8.3% and 6.9% in Canada.

Investors are concerned that loan losses will increase due to higher borrowing costs for businesses and households. At the same time, an economic downturn could reduce loan growth and impact wealth management and investment banking revenues.

The outlook is challenging for the coming 12-18 months, but TD stock now appears oversold. The bank has a strong capital position and is making two significant acquisitions in the U.S. to position the business for growth in the coming decades.

TD raised the dividend by 13% for fiscal 2022 and increased the payout by a compound annual rate of 11% over most of the past 30 years. Investors who buy TD stock at the current price can get a 4% yield.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) trades near \$51 per share at the time of this writing compared to more than \$59 in early June. Investors who buy the stock today can get a juicy 6.7% dividend yield. Enbridge is a good stock to buy for retirees and other investors seeking reliable high yield returns for portfolios focused on passive income.

Enbridge has the largest pipeline infrastructure to export oil and gas from Canada to the U.S., and with the current global energy crisis, its pipelines are running at full capacity. Furthermore, the company aims to gain a ~30% share in the North American liquified natural gas (LNG) export market with upcoming projects Texas LNG and the Rio Grande.

Enbridge has raised its dividend annually for the past 27 years. Investors should see the streak continue, supported by the \$13 billion capital program and revenue growth from acquisitions. For example, in recognition of growing demand for renewable power, the company recently acquired Tri Global Energy (TGE), a leading U.S. renewable project developer. TGE's portfolio is well positioned for growth amid rising State renewable targets and growing private sector demand for zero carbon electricity.

The bottom line on top dividend stocks to buy now

Fortis, TD, and Enbridge pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA or RRSP that's focused on dividends, these stocks look oversold today and deserve to be on your radar.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
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TICKERS GLOBAL

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2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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