3 TSX Stocks to Buy for Fast-Growing Passive Income

Description

The market correction is giving pensioners and other investors seeking passive income a chance to buy top TSX dividend stocks at undervalued prices for a Tax-Free Savings Account (TFSA) retirement portfolio.

Telus

Telus (TSX:T) is a good stock to buy if you are concerned about a recession. The communications firm provides essential mobile and internet services to clients across the country. This generates a reliable revenue stream that should hold up well, even if the economy goes through some rough quarters in 2023 and 2024.

Telus continue to invest in network upgrades to ensure it protects its wide competitive moat. The company is wrapping up its copper-to-fibre transition in 2022 or 2023. Concluding the program will free up more cash flow to be distributed to shareholders. Telus is also expanding its 5G mobile network after spending $1.9 billion on 3,500-megahertz spectrum licences last year at the government auction.

Telus generated strong second-quarter (Q2) 2022 results, and investors should see solid numbers for the second half of 2022. The board usually raises the dividend twice per year, and management is targeting annual dividend growth of 7-10% over the medium term.

Telus stock appears oversold at the current price near $28 per share. It was above $34 earlier in the year. Investors who buy at the current level can get a 4.8% dividend yield.

Enbridge

Enbridge (TSX:ENB) has raised its dividend in each of the past 27 years. The size of the annual increase isn't as large as it used to be, but Enbridge is still growing its distributable cash flow at a steady pace through strategic acquisitions and the capital program, which is currently $13 billion.

Enbridge is positioning itself to benefit from rising international demand for Canadian and U.S. oil and natural gas. The company purchased an oil export terminal in Texas last year for US$3 billion. Enbridge is also building new natural gas pipelines in the United States to bring fuel to liquified natural gas (LNG) facilities on the American Gulf Coast.

In Canada, Enbridge has entered an agreement to buy a 30% position in the Woodfibre LNG project. The site is expected to be completed and in service by the end of 2027.

The renewable energy division continues to growth with the recent acquisition of a U.S. wind and solar construction firm. In addition, Enbridge is investing in hydrogen and carbon-capture initiatives.

The stock trades near $51.50 at the time of writing compared to $59.50 in June. Investors who buy the dip can now get a 6.7% dividend yield.

Fortis

Fortis (TSX:FTS) is a utility company with $60 billion in assets spread out across Canada, the United States, and the Caribbean. The company gets 99% of its revenue from regulated businesses. These include power-generation facilities, electricity transmission networks, and natural gas distribution utilities. Cash flow is predictable and reliable in most economic situations, so Fortis should be a good stock to hold during a recession.

The board just raised the dividend by 6% and has increased the payout for 49 consecutive years. Management expects the current $20 billion capital program to support average annual dividend increases of 6% through at least 2025. The stock looks undervalued today near $51.50 per share and offers a 4.4% dividend yield.

The bottom line on top stocks to buy for passive income

Telus, Enbridge, and Fortis 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 appear cheap today and deserve to be on your radar.

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2. NYSE:FTS (Fortis Inc.)
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