2 Top Dividend Stocks You Can Buy and Hold Forever

Description

The market correction is providing retirees and other dividend investors with an opportunity to buy top TSX dividend stocks at undervalued prices for self directed Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) portfolios. During uncertain economic times, it makes sense to search for industry leaders with long track records of delivering dividend growth, even through recessions.

BCE

BCE (TSX:BCE) trades for close to $59 per share at the time of writing. The stock was as high as $74 in the spring go this year. The steep drop has occurred as part of the broader decline in the TSX, but the pullback in BCE stock looks overdone.

BCE generated solid second-quarter (Q2) of 2022 results, and management confirmed financial guidance for 2022. Earnings are expected to increase at a decent clip, and free cash flow is targeted to rise by 2-10% compared to last year.

This should support a dividend hike for 2023 of around 5% that is consistent with the trend over the past 14 years. BCE has the power to increase prices when its costs rise. That is important in an era of high inflation. The company also gets the majority of its revenue from essential mobile and internet services, making it resistant to recessionary pressures.

Investors who buy BCE stock near the current price can get a 6.25% dividend yield. This is great for TFSA investors who are seeking reliable passive income. It is also good for RRSP investors who prefer to use dividends to buy new shares to take advantage of the power of compounding.

A $10,000 investment in BCE stock 25 years ago would be worth about $175,000 today with the dividends reinvested.

TD Bank

TD (TSX:TD) trades for close to $86 per share at the time of writing compared to $109 at the 2022 high. Bank stocks took a pounding in recent months amid rising recession fears. Investors are concerned that soaring interest rates designed to get inflation under control will ultimately drive the economy into a deep slump.

Risks are certainly present. Consumers are already using savings to cover rising costs of essential goods. A jump in mortgage payments could push high-debt households over the edge. If businesses start cutting staff to adjust to weak demand, the number of property owners that are forced to sell could rise to the point where a flood of listings drives home prices below the amount owed by borrowers who bought in the past two years. If house prices tank and stay low for two or three more years, TD and its peers could face large losses.

The likely outcome, however, is a short and mild recession in 2023 or 2024. House prices are expected to fall, but in a controlled way that won't put too much pressure on the banks. The employment market remains robust, and high savings levels built up during the pandemic should mitigate the impact of the downturn.

TD is on track to top 2021 profits in 2022. The board raise the dividend by a compound annual rate of more than 10% over the past two decades, and investors should see the trend continue. At the time of writing, TD provides a 4% yield.

A $10,000 investment in TD stock 25 years ago would be worth about $155,000 today with the dividends reinvested.

The bottom line on top TSX dividend stocks to buy now

BCE and TD are top TSX stocks with long track records of dividend growth. If you have some cash to put to work in an TFSA or RRSP, these stock look oversold today and deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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