2 Top TSX Dividend Stocks to Buy and Hold For Decades

Description

The market is rebounding off the recent correction, but many top TSX dividend stocks still trade at discounted prices. Investors can scoop up these stocks at bargain prices with tax benefits by buying and holding inside a self-directed TFSA or RRSP portfolio.

TD Bank

TD (TSX:TD) trades for $90 per share at the time of writing compared to $109 at its 2022 high. The drop in the share price occurred amid a broad pullback in the bank sector in recent months as fears have increased about a potential recession in 2023.

The Bank of Canada and the U.S. Federal Reserve are raising interest rates to try to cool off the economy and bring inflation back down to 2%. Households are already using up savings and cutting discretionary spending to cover the jump in food and fuel expenses. Businesses might have to cut jobs more than expected. If a rise in unemployment accompanies the steep jump in mortgage costs, investors are concerned there could be a wave of home loan defaults on the way. That would be bad for TD and its peers if house prices fall below the amount that is owed on the properties.

For the moment, economists expect a recession to be short and mild. The jobs market remains robust and households still have historically high levels of savings. In this scenario, TD stock is probably oversold.

TD is on track to beat last year's earnings in fiscal 2022 and investors should see a decent dividend increase for next year. TD raised the payout by 13% for fiscal 2022. The bank is also making two strategic acquisitions in the United States to drive future revenue and profit growth.

Buying TD on big dips has been a rewarding move for savvy investors in recent decades. A $10,000 investment in TD stock 25 years ago would be worth about $150,000 today with the dividends reinvested.

Canadian Natural Resources

Commodity stocks are not often listed as reliable dividend picks due to the volatile nature of commodity prices. Producers have little control over the price, so revenue streams can be erratic.

Canadian Natural Resources (TSX:CNQ), however, has managed to give investors a dividend increase in each of the past 22 years with a compound annual dividend growth rate of better than 20%. This makes CNQ one of the top dividend-growth stocks on the TSX over that timeframe.

CNRL has a diversified asset portfolio that includes oil sands, conventional heavy oil, conventional light oil, offshore oil, natural gas liquids, and natural gas production. The company typically owns 100% of its operations, providing management with the flexibility to move capital around the portfolio quickly to take advantage of changes in commodity prices.

Demand for Canadian oil and natural gas is on the rise and expected to remain strong in the coming years as international buyers seek out reliable supplies. The prices of oil and natural gas are off 2022 highs, but remain very profitable for CNRL. The board just raised the quarterly dividend for the second time this year to $0.85 per share. Investors also received a special payout of $1.50 per share in August.

A $10,000 investment in CNQ stock 25 years ago would now be worth about $295,000 with the dividends reinvested.

The bottom line on top stocks to buy now

TD and CNRL pay attractive dividends that should continue to grow. If you have some cash to put to work, these stocks deserve to be on your radar.

CATEGORY

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2. TSX:TD (The Toronto-Dominion Bank)

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aswalker