3 Top TSX Stocks to Add to Your TFSA or RRSP Right Now

Description

The TSX is moving higher after the recent market correction, but many top Canadian dividend stocks still trade at discounted prices. Let's take a look at three that might be interesting picks for a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) today.

BCE

BCE (TSX:BCE) trades for close to $63.50 per share at the time of writing compared to $74 earlier this year. The pullback in the stock appears overdone, and investors can now pick up a 5.8% dividend yield.

BCE generated solid results for the third quarter (Q3) of 2022. Operating revenue rose 3.2% compared to the same period last year. Adjusted net earnings increased by 7.1% and cash flow from operating activities jumped 12.5%. Free cash flow rose 13.4%, which is important for investors to know if they are looking for a stock that can sustain and increase its dividend.

BCE is on track to meet its financial targets for the year and the essential nature of its mobile and internet services should provide revenue stability in 2023, even if the economy enters a recession.

Looking ahead, BCE continues to make large capital investments in network upgrades to drive future revenue growth. The company is expanding its fibre-to-the-premises operation while also rolling out the 5G mobile network.

Manulife

Manulife (TSX:MFC) trades for less than $24 per share at the time of writing compared to $28 at the 2022 high. The company generated record profits in 2021 but has taken a hit this year from COVID-19 and the market correction.

A surge in morbidity and mortality claims occurred in Canada and the United States in the first part of 2022 as a result of the Omicron wave. In Asia, COVID-19 lockdowns have hindered product sales. The wealth and asset management divisions have endured revenue declines as a result of the drop in equity markets through Q2 and Q3.

Additional market volatility could be on the way in the coming quarters, but Manulife stock should be an attractive pick right now for a buy-and-hold portfolio. The jump in interest rates in Canada and the United States should drive up returns on money the company has to set aside to cover potential insurance claims. At some point, equity markets will recover, and the worst of the COVID-19 claims should be in the rear-view mirror.

At the time of writing, the dividend provides a 5.5% yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) trades for $71 per share at the time of writing compared to $95 in the early part of 2022. The steep decline is part of a broader pullback in bank stocks, driven by rising recession fears.

The Bank of Canada and the U.S. Federal Reserve are raising interest rates to try to cool down the economy and reduce inflation. High prices are already hitting consumers hard. The jump in borrowing costs could force them to put the brakes on discretionary spending and send the economy into a steep downturn. If companies start to slash jobs aggressively, the increase in unemployment could drive up loan losses at the banks.

Economists are currently predicting a mild and short recession due to high levels of household savings and a very tight labour market. Assuming the economy will avoid a meltdown, Bank of Nova Scotia stock is probably oversold at the current price.

The bank is on track to top 2021 earnings in fiscal 2022, and the board raised the dividend twice in the past year.

Investors can currently get a 5.8% dividend yield.

The bottom line on top TSX stocks

BCE, Manulife, 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 or RRSP portfolio, these stocks deserve to be on your radar.

CATEGORY

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