Income Investors: 2 Cheap Dividend Stocks With 5% Yields

Description

Retirees and other dividend investors are searching for reliable dividend-growth stocks to add to their retirement portfolios focused on generating passive income or total returns. With a recession likely on the way in the next 12-18 months, it makes sense to seek out top TSX dividend stocks that should continue to raise their payouts through an economic downturn.

TC Energy

TC Energy (TSX:TRP) trades for close to $65.50 per share at the time of writing compared to more than $74 in June. The dip in the share prices gives investors a chance to pick up a 5.5% dividend yield with dividend growth of 3-5% per year likely on the way over the medium term.

TC Energy is working through a $34 billion capital program of secured projects that should help drive revenue and cash flow growth to support dividend increases. The company is building a large natural gas pipeline in Canada that will connect natural gas producers to a new liquified natural gas (LNG) export terminal on the B.C. coast.

In the United States, TC Energy has an extensive network of natural gas infrastructure that includes assets connecting gas producers in the key Marcellus and Utica shale plays to LNG facilities on the Gulf Coast. International demand for Canadian and U.S. natural gas is expected to grow in the coming years, and TC Energy is positioned well to benefit from the trend.

BCE

BCE (TSX:BCE) trades for less than $64 per share at the time of writing and offers investors a 5.75% dividend yield.

This should be a good stock to buy if you are concerned the Canadian economy could be headed for a recession in 2023 or 2024. The company provides mobile and internet services that households and businesses need, regardless of the state of the economy. Even the TV subscription revenue should hold up well, as most people will cut out other discretionary spending before abandoning their sports and entertainment channels.

BCE's media business would be a possible weak link in the revenue stream during a downturn, as occurred during the pandemic. Advertisers could reduce spending on TV, radio, and digital promotions if times get really tough. That being said, the media division delivered solid results for the third quarter (Q3) of 2022, despite the economic headwinds. Operating revenue was in line with the same period last year. Digital revenues jumped 40%, helping offset weaker TV and radio ad sales.

BCE confirmed its 2022 guidance when it reported the Q3 results. Free cash flow growth is targeted at 2-10% for the year compared to a drop of 11% in 2021. The strong performance should support a dividend increase in the 5% range, keeping with the trend over the past 14 years.

The bottom line on top dividend stocks to buy now

No dividend is 100% safe, but TC Energy and BCE have good track records of dividend growth and pay attractive distributions that should continue to increase in the coming years, even if the economy hits a rough patch. If you have some cash to put to work, these stocks deserve to be on your radar.

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