Retirees: 2 Top TSX Dividend Stocks to Buy for TFSA Passive Income

Description

Canadian retirees use their Tax-Free Savings Account (TFSA) to generate income that complements their company pension, Canada Pension Plan (CPP), and Old Age Security (OAS) payments. Dividend stocks with good track records of distribution growth are popular picks for a TFSA focused on passive income.

The surge in Guarantee Investment Certificate (GIC) rates is making the fixed-income option more attractive, but investors who can handle some market volatility might still be interested in buying top TSX dividend stocks that are on sale.

BCE

BCE (TSX:BCE) trades for close to $64.25 at the time of writing compared to a high of $74 earlier this year. The drop in the share price appears overdone, and investors can now get a solid 5.7% dividend yield.

BCE reported solid earnings through the first nine months of 2022, and the management team reconfirmed the full-year guidance. BCE expects revenue, earnings, and free cash flow to be higher this year than it was in 2021. That's the kind of steady results dividend investors want to see during uncertain economic times.

BCE isn't immune to a recession, but its core mobile and internet subscription services should drive reliable revenue in 2023, even if there is an economic downturn. BCE has a strong balance sheet and continues to invest in new fibre optic lines while expanding its 5G mobile network to protect its competitive position and drive future revenue growth.

TC Energy

TC Energy (TSX:TRP) just warned that costs continue to rise on its Coastal GasLink project. The pipeline will carry natural gas from producers in northeastern British Columbia to a new liquified natural gas (LNG) facility being built on the coast of the province. The market didn't like the news, and TRP stock is down about 9% in recent days.

The update shouldn't be a surprise, since TC Energy previously warned the project is running over budget. As a result, the drop in the share price is likely exaggerated, giving dividend investors a chance to buy TC Energy stock on a nice dip.

The company has a $34 billion capital program on the go that will support revenue and cash flow growth in the coming years. Despite the challenges on the CoastalGasLink project, which is more than 75% complete, the management team is targeting average annual dividend growth of 3-5% over the medium term.

TC Energy stock trades for close to $59.50 at the time of writing compared to about $74 at the peak in June and is effectively flat for the year. Investors who buy the stock at the current level can pick up a decent 6% yield.

TC Energy has increased the dividend annually for more than two decades. A pause is certainly possible, but the capital program should help extend the trend.

TC Energy operates more than 90,000 km of natural gas pipeline infrastructure and 650 billion cubic feet of natural gas storage capacity in Canada, the United States and Mexico. Domestic and international demand is rising for North American natural gas and TC Energy is in a good position to benefit.

The bottom line on top dividend stocks

BCE and TC Energy pay attractive dividends that should continue to grow. If you have some cash to put to work in a diversified TFSA focused on passive income, these stocks deserve to be on your radar.

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