Passive Income: Should You Buy TD Stock or Enbridge?

Description

Retirees and other investors seeking passive income are searching for top TSX dividend stocks to buy for their Tax-Free Savings Account (TFSA) portfolios. Let's take a look at **TD** (TSX:TD) and **Enbridge** (TSX:ENB) to see if one deserves to be on your buy list today.

TD

TD trades near $87 per share at the time of writing. The stock is off the July low around $78 but still way down from the $109 it hit early in 2022. The steep pullback has occurred, despite TD reporting solid fiscal 2222 results. Adjusted earnings for the year came in at $15.4 billion compared to $14.6 billion in fiscal 2021.

TD built up a significant war chest of cash during the pandemic. Management is using the funds to make two strategic acquisitions in the United States that should help drive revenue and profit growth in the coming years.

TD is buying **First Horizon** for US$13.4 billion in a deal that will boost the branch count by more than 400 and will make TD one of the top-six banks in the American market. TD is also increasing its capital markets capabilities through its US$1.3 billion purchase of **Cowen**, an investment bank.

TD has increase the dividend by a compound annual rate of more than 10% over the past 25 years. Investors received a 13% dividend increase for fiscal 2022 and another generous raise is likely on the way at some point in 2023.

The stock appears attractive at the current multiple of about 9.1 times trailing 12-month earnings. Investors who buy now can get a solid 4.4% dividend yield.

Enbridge

Enbridge (TSX:ENB) recently raised the dividend by more than 3%, extending the annual dividendhike streak to 28 years. The new payout provides a dividend yield of 6.7% at the current share price near $53. Enbridge traded above $59 in June, so investors can pick the stock up on a decent dip and simply wait for the next rebound in the market.

Enbridge has a $17 billion capital program on the go that should support revenue and cash flow growth in the next few years. In addition, Enbridge has the financial clout to make strategic acquisitions. Recent deals include the 2021 purchase of an oil export terminal in Texas for US$3 billion and the acquisition of a renewable energy project developer in the United States. Enbridge also acquired a 30% stake in the Woodfibre liquified natural gas (LNG) project in British Columbia. The three investments are in line with Enbridge's strategy shift to its focus to export opportunities and expand the renewable energy operations.

Future opportunities exist in hydrogen and carbon capture. Enbridge is already engaged in these new segments, and they could become a source of growth in the coming years.

Is one a better bet for passive income?

Enbridge offers a better dividend yield, and the stock should hold up well through a recession. TD looks undervalued right now and probably has better dividend-growth prospects, but market volatility in the coming months could lead to a better entry point. At this point, I would make ENB stock the first pick for a TFSA focused on passive income.

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Date
2025/07/25
Date Created
2022/12/15
Author
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