Passive Income: 2 High-Yield Stocks for Retirees to Buy Now

Description

The market correction is giving pensioners a chance to buy top TSX dividend stocks at discounted prices.

Enbridge

Enbridge (TSX:ENB) is a beneficiary of the rebound in demand for oil and natural gas that has occurred in the past two years. The company moves 30% of the oil produced in Canada and the United States. It also has vast natural gas transmission, storage, and distribution operations that include connections to liquified natural gas (LNG) facilities in the United States and utilities that provide the essential fuel to millions of Canadian homes and businesses. In addition, Enbridge has a growing renewable energy division and is getting into carbon capture and hydrogen.

The days of driving growth through the construction of large oil pipeline projects are probably over, but Enbridge is still finding expansion opportunities across its portfolio and in exports. Enbridge's recent purchase of a 30% stake in the Woodfibre LNG project is a good example. The company also spent US$3 billion last year to acquire an oil export terminal in Texas.

Enbridge trades near $52 per share at the time of writing compared to more than $59 in June. The drop appears overdone given the solid demand for the company's services. Enbridge recently announced a 3.2% dividend increase, extending the dividend-growth streak to 28 consecutive years. Investors who buy the stock at the current price can get a 6.8% dividend yield.

CIBC

CIBC (TSX:CM) trades for close to $55 per share at the time of writing compared to more than $83 in January. The steady slide through the year has occurred amid investors fears that rising interest rates will trigger a wave of loan defaults in 2023 or 2024 and send the housing market into a deeper slump.

The Bank of Canada has increased interest rates aggressively in recent months in an effort to cool off the economy and bring inflation back down to a target of 2%. Part of the solution involves bringing the employment sector back into balance. There is a risk, however, that the rate hikes will cause more damage than anticipated, leading to a surge in job losses. If unemployment moves up quickly, Canadian households that are already struggling with high prices and soaring debt costs could be forced to default on loans, including their mortgages. An uptick in loan losses is expected, but a big wave could be problematic for the banks.

CIBC has a large Canadian residential mortgage portfolio relative to its size. This puts it at a higher risk if the housing market tanks. That being said, the pullback in the share price is probably overdone. Economists expect the Canadian economy to go through a short and mild recession next year. CIBC remains very profitable, and the board increased the dividend twice in 2022, so the management team doesn't appear to be too concerned about the revenue and earnings outlook.

CIBC trades at a cheap 8.3 times trailing 12-month earnings. Investors who buy CM stock at the current share price can get a 6.1% dividend yield.

The bottom line on top stocks to buy for passive income

Enbridge and CIBC pay attractive dividends that should continue to grow. If you have some cash to put to work in a portfolio focused on passive income, these stocks appear cheap today and deserve to be on your radar.

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