These 2 Dividend Stocks Could Be a Retiree’s Best Friend

Description

The market pullback is giving retirees seeking reliable passive income a chance to buy top TSX dividend stocks at discounted prices. Ongoing volatility is expected, but these stocks should be able to ride out the storm and continue to raise their distributions.

Telus

Telus (TSX:T) trades near $27 per share at the time of writing compared to $34 earlier this year. The pullback looks overdone when you consider the essential nature of the company’s services, and the solid results Telus has delivered in 2022.

Telus primarily provides Canadian households and businesses with mobile, internet, security, and TV services. Customers are unlikely to cancel the essential wireless and broadband subscriptions during a recession, so Telus should be a good stock for retirees to own in uncertain economic times.

Product sales, however, might slow down, as people look for ways to tighten their belts, and some TV subscribers could be forced to trim their entertainment budgets, but these segments are smaller contributors to overall revenue.

Looking ahead, Telus has some interesting subsidiaries that could grow to be meaningful drivers of revenue growth in the coming years. Telus Health acquired LifeWorks in 2022, giving the digital health solutions business a big boost in its ambition to provide online health solutions to global companies with employee healthcare plans. Telus Health is already a leader in providing Canadian doctors, hospital, and insurance companies with digital services.

Telus Agriculture originally targeted farmers with digital solutions to help them make their operations more efficient. The division has expanded to the broader consumer goods sector with an aim to improve the entire value change.

Telus is targeting annual dividend increases of 7-10% in the next few years. The reduction in capital outlays in 2023 is expected to free up more cash for distributions and potential share buybacks.

The stock appears undervalued right now and provides a 5.2% dividend yield.

Enbridge

Enbridge (TSX:ENB) is a giant in the North American energy infrastructure sector with vast pipeline networks that move 30% of the oil produced in Canada and the United States. Enbridge's natural gas assets include pipelines, storage, utilities, and the new stake in the Woodfibre liquified natural gas (LNG) facility being built in British Columbia.

On the renewables side, Enbridge has solar, wind, and geothermal assets. A large wind farm was completed in France this year and Enbridge recently bought an American company that is a large renewable energy project developer in the United States. Interests in carbon capture and hydrogen are currently small but could grow to become more prominent in the coming years.

Enbridge is on track to hit its 2022 financial targets. The board just raised the dividend for the 28th consecutive year and 2023 should deliver solid results amid strong demand for oil and natural gas.

Enbridge has a $17 billion capital program on the go, and management could continue to make small strategic acquisitions to drive additional revenue growth. The stock trades near $52 per share at the time of writing compared to $59 in June. Retirees can now get a nice 6.8% dividend yield.

The bottom line on top stocks for retirees

Ongoing volatility is expected, and additional downside is possible in these stocks. Telus and Enbridge pay attractive dividends that should continue to grow, and the share prices now appear cheap for a buy-and-hold portfolio focused on passive income.

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