2 TSX Dividend Stocks to Buy Now for Passive Income and Total Returns

Description

The market correction is giving Canadian investors a chance to buy top TSX dividend stocks at undervalued prices for a retirement portfolio. Other stocks have held up well this year and are also attractive heading into 2023.

TD Bank

TD (TSX:TD) trades for close to $87 per share at the time of writing compared to $109 at the peak in early 2022. The steep pullback actually sent the share price below $80 in the summer, but the stock still appears oversold at the current level.

TD generated strong fiscal 2022 results, despite some headwinds in the back half of the year. Adjusted net income came in at $15.42 billion for fiscal 2022 compared to $14.65 billion in 2021.

TD raised the dividend by 13% for 2022, and investors should see another generous boost for 2023. The board increased the payout by a compound annual rate of more than 10% over the past 25 years.

TD expects earnings to increase by 7-10% in fiscal 2023. This is solid guidance considering the economic weakness that most economists expect to occur in the next 12-18 months. Two acquisitions that are on the go in the United States should help drive revenue and profit growth.

TD is buying **First Horizon** for US$13.4 billion. The deal will add more than 400 branches to the existing retail banking operations in the United States and will make TD a top-six bank in the American market. TD is also spending US$1.3 billion to buy **Cowen**, an investment bank, in a move to bulk up the capital markets group.

At just 9.2 times trailing 12-month earnings TD stock looks cheap. Long-term investors have historically done well buying TD on big dips. A $10,000 investment in TD shares 25 years ago would be worth close to $150,000 today with the dividends reinvested.

Canadian National Railway

CN (TSX:CNR) is up 4% in 2022 and recently hit a new high for the year before the latest pullback. At the time of writing, CN stock trades near $162 per share. It was above $172 earlier this month.

CN generated strong results for the third quarter of 2022 results and is on track to beat previous financial guidance for the year. Management now expects adjusted diluted earnings-per-share growth to be about 25% in 2022 compared to the previous target of 15-20%. One reason for the stronger performance has been CN's ability to pass rising costs through to customers. This is important in the current era of high inflation.

CN plays a key role in the efficient operation of the Canadian and U.S. economies. The company moves a wide variety goods and products, including lumber, cars, coal, grain, crude oil, fertilizer, and finished goods. CN's unique rail network that connects ports on three coasts gives it a competitive advantage in the transport market.

CN raised the dividend by 19% in 2022. Investors should see another big increase in 2023.

A $10,000 investment in CN stock 25 years ago would be worth about $435,000 today with the dividends reinvested.

The bottom line on top stocks to own for decades

TD and CN are top TSX companies with strong track records of delivering dividend growth and attractive total returns for patient investors. If you have some cash to put to work in a self-directed retirement portfolio, these stocks deserve to be on your radar.

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Date
2025/06/27
Date Created
2022/12/20
Author
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