Passive Income: 2 Cheap TSX Dividend Stocks to Buy in February 2023

Description

Retirees and other investors seeking passive income are wondering which top TSX dividend stocks are still good to buy. The recent market rebound has eliminated some of the best deals, but investors can still find great Canadian dividend stocks that trade at discounted prices.

BCE

BCE (TSX:BCE) is Canada's largest communications company with a current market capitalization of close to $57 billion. The stock has historically been a popular pick among pensioners for its reliable and growing dividends. BCE's revenue stream has changed considerably in recent decades, but the stock still deserves to be a core holding for income investors.

BCE gets most of its revenue from essential services. In the past, this was landline telephone connections. Today, BCE still has some landline business, but the core of the revenue comes from mobile and internet services. Households and companies need to stay connected to friends, family, and customers regardless of the state of the economy, so BCE stock should be a solid pick during uncertain economic times.

The business, however, isn't recession-proof. BCE's media group will likely see ad revenue decline as customers trim marketing budgets to preserve cash, but this is not the bread-and-butter revenue stream for the company.

BCE increased its dividend by at least 5% in each of the past 14 years. Investors should see a similar increase in 2023. BCE is expected to report full-year 2022 results on February 2 that show the business hit its growth targets for revenue, earnings, and free cash flow.

BCE trades for close to $62 at the time of writing compared to the 12-month high around $74. Investors can now get a 5.9% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS) trades for $70 per share at the time of writing. This is up from $64 in October but still down from more than $90 at this time last year. The stock slipped through most of 2022 amid rising fears that aggressive rate hikes by the Bank of Canada will trigger a deep recession and result in a wave of mortgage defaults, as borrowers who are already struggling with high inflation are unable to meet higher loan payments.

How the situation will ultimately unfold in 2023 and 2024 is anyone's guess, but economists broadly expect the Canadian economy to go through a short and mild recession. Households and businesses built up large levels of savings during the pandemic and this is expected to help offset the impact of soaring rates and higher prices. As long as the jobs market remains strong, most households should be able to keep making their mortgage payments.

Bank of Nova Scotia's fiscal 2022 earnings beat the 2021 results, despite the economic challenges that emerged in the second half of the year. The board increased the dividend in 2022 and has raised the payout in 43 of the past 45 years. At the very least, the payout should be safe.

Investors who buy BNS stock at the current level can get a 5.9% dividend yield.

The bottom line on top TSX dividend stocks to buy for passive income

BCE and Bank of Nova Scotia 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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