2 Dividend-Growth Stocks to Help You Save a Mountain of Money in Your TFSA

Description

The days of the juicy pension plan are fading fast, and Canadians are increasingly responsible for setting aside enough cash to cover their retirement expenses.

Fortunately, there are vehicles in place to help young investors hit their goals, and the TFSA might just be the best option.

Why?

The TFSA allows Canadians to protect investment earnings from the taxman.

While many people hold fixed-income investments in their TFSA, the real power lies in buying dividend-growth stocks and reinvesting the full value of the dividends in new shares.

This sets off a compounding process that can turn a modest initial investment into a significant nest egg.

When the time comes to use the funds, all of the capital gains are also protected, so there isn't a concern about calculating how much you will have to hand over to the government.

Which stocks should you buy?

The best companies have long track records of dividend growth that's supported by rising revenue. Ideally, they are also industry leaders in segments with wide competitive moats.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see why they are strong candidates.

Enbridge

Enbridge is one of North America's largest energy infrastructure businesses with pipeline systems running across Canada and down through the United States right to the Gulf Coast.

Once the assets are in place, the system essentially acts as a tollbooth.

Some pundits are concerned the oil rout will hurt demand for new infrastructure. That's certainly an issue in the near term, but Enbridge has a large enough portfolio of projects on the go to keep it busy until the energy sector recovers.

In fact, the company plans to complete $18 billion in new assets over the next three years. As the projects begin to generate revenue, the company expects cash flow to increase enough to support dividend growth of at least 8% per year.

If the oil rout drags on Enbridge has the financial means to grow through acquisitions.

Long-term investors have done very well with this stock. A $10,000 investment in Enbridge just 15 years ago would be worth $106,000 today with the dividends reinvested.

TD

The Canadian banks are facing some economic headwinds, but TD continues to deliver solid results. The company reported adjusted Q2 2016 fiscal earnings of $2.3 billion, up a solid 5% from the same period last year.

TD is an appealing pick because its revenue stream is less volatile than that of its major competitors, and the large U.S. operation provides a nice hedge against tough times here in Canada.

For example, Q2 net income from the U.S. jumped 21% compared with last year as a result of the strong gains in the American dollar.

TD has also made some of its shareholders quite rich. A $10,000 investment in TD 20 years ago would now be worth $191,000 with the dividends reinvested.

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1. Bank Stocks
2. Dividend Stocks
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1. Editor's Choice

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
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