

Investors: Stick These 3 Forever Stocks Inside Your TFSA

Description

Increasingly, many investors are choosing to put all of their retirement savings into their TFSA, bypassing RRSPs altogether.

There are several reasons for this. The tax break generated by RRSPs is nice, but any withdrawals are taxed. TFSAs, meanwhile, allow you to withdraw any amount, tax free.

TFSAs are also much more flexible. An investor can withdraw from a TFSA any time they'd like. They can then put that money back in. RRSPs not only charge a withholding tax every time you take out money, but you've also lost that contribution room forever.

Now that the RRSP vs. TFSA debate has been settled—at least, in the minds of many investors—the only thing left to decide is what to invest those TFSA dollars in.

I think investors should put that cash to work in some of Canada's finest stocks—the kind of forever stocks someone can buy and hold for decades. Ideally, these stocks also pay generous dividends, allowing someone to constantly reinvest. This is when compounding becomes especially powerful.

Here are three of Canada's finest forever stocks.

Enbridge

One of the best ways to determine if a company has a sustainable competitive advantage is to ask yourself one simple question: If I had \$10 billion, could I make management's life miserable?

The answer to that question when it comes to **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) is a resounding “no.” The company's assets include more than 50,000 km of oil and natural gas pipelines, 2.1 million natural gas utility customers, and nearly 2,000 MW of power-generation capacity. These are not the kind of assets you can easily replace.

Enbridge has a solid growth plan in place. From 2015 to 2019 it plans to spend \$26 billion on capital projects with some \$9 billion already being spent. These projects should lead to available cash flow from operations increasing between 12% and 14% annually. Management has pledged to pass along most of this increase to investors in the form of higher dividends.

Enbridge shares currently yield 4.2%.

Extendicare

There are some investors bearish on **Extendicare Inc.** ([TSX:EXE](#)), citing the company's inconsistent results and its dividend cut in 2013.

But the company has taken steps to make its business much more consistent. It sold its U.S.

operations, investing the proceeds into expanding both its home healthcare and assisted-living businesses here at home—divisions that are much more stable than the U.S. operations ever were.

The long-term growth trend of retirement residences is a good one, and Extendicare is well positioned to seize it. The company is currently building more rooms in Ontario, its largest market, as well as planning to renovate some of its existing suites in the province. These renovations will enable it to get more cash from the government, a nice return on its investment.

Extendicare shares yield 5.9%, a nice payout in today's low yield environment.

Intact Financial

Intact Financial Corporation ([TSX:IFC](#)) is emerging as the undisputed leader in a part of the financial sector everyone seems to forget about: property and casualty insurance.

Intact has proven it's a great underwriter, posting consistent combined ratios under 100%. This means the company is profitable even before considering the gains it generates from investing premiums.

The company has two distinct growth paths. The first is to consolidate competition among insurers. Canada has several different insurance companies that only own a small percentage of the market. Intact is the likely choice to acquire them.

And secondly, the company wants to continue expanding its insurance brokerage business. Not only does getting in the brokerage business allow it to have a convenient way to sell its own products, but the company can also generate profits from running a brokerage itself. It's a win-win scenario.

Intact shares currently yield 2.5%.

Intact, Extendicare, and Enbridge are all terrific stocks that would look good in any TFSA. Investing doesn't have to be much more complicated than that.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:EXE (Extendicare Inc.)
4. TSX:IFC (Intact Financial Corporation)

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