Attention Millennials: 2 Dividend Stocks for Your TFSA Retirement Fund

Description

Young Canadians are concerned about their retirement.

Why?

Most companies are shifting to contracts rather than hiring new grads full time, and those that are providing full-time employment are cutting back or eliminating pension plans.

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In fact, defined-benefit pensions are pretty much unheard of these days unless you work for the government.

As a result, millennials are responsible for setting aside the cash themselves. Fortunately, there are a few vehicles set up to help with the process and one is called the tax-free savings account (TFSA).

The TFSA allows investors to collect income and capital gains without worrying about giving some to the government. This means young people can buy dividend stocks and reinvest the full value of the distributions in new shares.

Over time, the power of compounding can turn a modest initial investment into a substantial nest egg, and when you decide to cash out, all of the gains go straight into your pocket!

Which stocks should you buy?

The best companies enjoy leadership positions in their respective markets and have strong track records of dividend growth.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they might be solid picks.

TD

TD is a profit machine. The company just reported fiscal Q3 2016 adjusted earnings of $2.4 billion–6% higher than the same period last year.

That's pretty good for just three months of work.

The company gets most of its earnings from its retail banking operations located on both sides of the border. TD actually has more branches located in the United States than it does in Canada.

The American operations offer investors a nice hedge against difficult times in the home country. For example, year-over-year fiscal Q3 net income from the Canadian retail business actually slid 1% due to the fires in Alberta, but this was offset by a 14% jump in net income in the U.S. retail group.

TD has low exposure to the oil and gas sector, and its mortgage portfolio is capable of riding out a downturn in housing.

The stock currently pays a quarterly dividend of $0.55 per share that yields 3.7%

A $10,000 investment in TD just 15 years ago would be worth $50,000 today with the dividends reinvested.

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Enbridge

Enbridge is primarily a liquids pipeline company with assets located in Canada and the United States.

Some market watchers are concerned the oil rout will put a dent in demand for new infrastructure. This is likely the case for the near term, but Enbridge has $26 billion in commercially secured projects on the go to keep it busy while the energy sector recovers.

As the new assets go into service, Enbridge should see revenue and cash flow increase enough to support annual dividend growth of at least 10%.

If oil remains under pressure for an extend period of time, Enbridge has the financial firepower to grow through acquisitions.

The stock pays a quarterly dividend that yields 4.1%, so you are already getting a great return with solid growth on the way in the coming years.

A $10,000 investment 15 years ago would be worth $96,000 today with the dividends reinvested.

Is one a better pick?

Both stocks are solid long-term bets for any TFSA.

If you think the energy sector is ready to start its recovery, go with Enbridge. Otherwise, TD is probably the stock to buy as your first choice.

CATEGORY

1. Bank Stocks
2. Dividend Stocks

3. Energy Stocks
4. Investing

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

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