2 Canadian Dividend Stocks to Start Your TFSA Retirement Fund in 2018

Description

Young Canadians are searching for ways to set aside ample funds to support a comfortable retirement.

This wasn't always an issue, but the employment world has changed considerably in the past 15 or 20 years, and new graduates can no longer assume they will immediately find a full-time job with juicy benefits.

Contract work is more common, and when a full-time gig finally comes around, the pension benefits, if any, can vary significantly.

As a result, many young people are forced to take their retirement planning into their own hands.

One popular strategy involves buying dividend stocks inside a TFSA and investing the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a sizeable nest egg over time.

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

Fortis

Fortis owns natural gas distribution, power generation, and electric transmission assets in Canada, the United States, and the Caribbean.

The company has grown significantly in the United States in recent years, including the US$4.5 billion purchase of Arizona-based UNS Energy in 2014, and last year's US$11.3 billion acquisition of ITC Holdings.

The new assets are performing as expected, and shareholders are reaping the benefits.

Fortis plans to raise the dividend by at least 6% per year through 2022. The company has increased the payout every year for more than four decades, so investors should feel comfortable with the guidance.

The current distribution provides a yield of 3.6%.

TD

TD is primarily known for its Canadian operations, but the company actually has more branches in the United States than it does in the home country.

The U.S. operations provide a nice hedge against any possible downturn in the Canadian economy, and when the American dollar strengthens against the loonie, TD's profits can get a nice boost.

The bank is widely viewed as the safest pick among the big Canadian banks due to its focus on retail banking, which tends to be less volatile than other activities, such as capital markets, that make up a larger percentage of the income stream for TD's peers.

TD has a strong track record of dividend growth, and that trend should continue. Management anticipates earning-per-share growth of at least 7% per year over the medium term.

At the time of writing, the dividend provides a yield of 3.3%.

The bottom line

Both stocks pay dividends that should continue to grow at a steady rate. If you are looking for reliable buy-and-hold picks to start your TFSA retirement fund, Fortis and TD deserve to be on your radar.

CATEGORY

1. Bank Stocks
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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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