2 Cheap Dividend Stocks to Buy for Your TFSA Retirement Fund in 2018

Description

This time of the year is ideal for many Canadians to start planning for their investment goals next year. If you plan to start investing through your Tax-Free Saving Account (TFSA), then I have some ideas you might find interesting.

Pick stocks that offer long-term value and growth to your retirement income. Dividend stocks are your best friends. Companies that pay regular dividends and grow them over time generally outperform other asset classes.

At a time when the stock market is trading at a record level, it's hard to find cheap dividend stocks that are fairly priced and offer some long-term value.

But if you dig a little deeper, you can still find some quality names that are known for their safe dividend payouts. Here are my two top picks for your TFSA retirement fund in 2018.

Enbridge

Enbridge Inc. (TSX:ENB)(NYSE:ENB) stock didn't have good 2017 when it comes to offering capital gains to its investors. The stock is down more than 12% at the time of writing, underperforming the broader market.

But this pullback is a great opportunity for TFSA investors who are on the hunt for bargains. Enbridge, which runs a large network of pipelines in North America, has a fantastic history of rewarding its investors through regular dividends.

The company operates the world's longest crude oil and liquids transportation system and is a leader in gathering, transportation, processing, and storage of natural gas in North America. It serves about 3.5 million retail customers in Ontario, Quebec, New Brunswick, and New York State.

Enbridge's dividend yield is nearly 5%, which is much higher than its average five-year yield of about 3% and the industry average of 2.75%. The company has recently announced it will hike its dividend 10% each year through 2020.

Trading at $49.68 a share after a 12% drop this year, its share price provides a good buying opportunity for TFSA investors, especially when the company is undertaking massive growth projects after its merger with Spectra Energy.

RioCan REIT

After falling ~6% in this year, **RioCan Real Estate Investment Trust** (TSX:REI.UN) is another top dividend stock for you to consider for your TFSA retirement fund.

Canada's largest REIT, which rents commercial spaces to some of the biggest retail names, has been under pressure due to rising interest rates in Canada and changing market dynamics.

Some investors feel that the brick-and-mortar retail model is under threat due to a shift to online sales. This trend may result in higher vacancy rates for RioCan-owned shopping malls.

To counter these challenges, RioCan is realigning its business model by focusing on the largest Canadian markets, where the supply for rental units is very tight.

After this year's pullback, RioCan stock now yields ~ 6% on an annual basis, which is close to the best dividend yield on this stock since 2010.

I think this is a good entry point for TFSA investors to add a top-quality REIT to their retirement portfolios.

The bottom line

The TFSA is a great vehicle for young investors to build their tax-free retirement portfolio. You can afford to take a little more risk through this saving vehicle if you're young and you're investing for long term. These top dividend stocks can provide you a good start next year.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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