TFSA Investors: 2 Dividend Stocks to Buy in January

Description

A Tax-Free Saving Account (TFSA) is a great tool to build your wealth. Investors who have not yet maximized their TFSA limit should make it part of their New Year's resolution. Here is why I think the TFSA is a fantastic saving tool, especially for young savers.

The biggest advantage of TFSAs is that once you've made investments through these accounts, they're off limits to the Canada Revenue Agency. Any capital gains you make on these investments are tax-free. Unlike RRSPs, any withdrawals from these accounts are also tax-free.

Young investors under the age of 30 can create massive amounts of tax-free wealth if they start saving now through this tool. If you're looking to top up your TFSA limit with some new investments, then I have two dividend stocks you might find worth buying.

Toronto-Dominion Bank

Canada's banking stocks are a great place to start your buy-and-hold portfolio of dividend stocks. They are among the safest companies that reward their investors regularly and grow their payouts.

Among the top Canadian lenders, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is the safest bet due to its very diversified retail banking operations in North America. You may be surprised to know that TD has more branches in the U.S. than it has in Canada. Through its aggressive acquisition strategy south of the border, it is now among the 10 largest banks in the U.S.

On the back of this remarkable growth, TD has been able to provide solid dividend income to its investors for many decades. During the past 20 years, its compound annual dividend-growth rate was ~10%.

At a time when the North American economy is expected to remain strong, investors can count on TD to continue with this double-digit dividend growth. With a dividend yield of 3.3%, TD stock offers long-term value, which TFSA investors might find attractive.

BCE Inc.

My second pick for your TFSA investments is **BCE Inc.** (TSX:BCE)(NYSE:BCE), Canada's largest operator, which owns a strong portfolio of companies, offering wireless, broadband communications, and content services.

Just like banks, Canadian telecom companies are also great dividend payers that TFSA investors could consider buying for their long-term income portfolios.

BCE's 4.75% dividend yield is the highest among the Big Three telecom operators, providing an attractive entry point. When it comes to stability and growth of your investment, BCE is not far behind TD. BCE has been sending dividend cheques to its investors for the past 134 years without a break.

During the past five years, the company has delivered 40% in total returns, which include both dividends and capital gains. The company pays a $0.72-a-share quarterly dividend, which has grown at a compound annual rate of ~5% over the past five years.

The bottom line

Both TD and BCE are solid dividend stocks which have rarely disappointed their investors when it comes to dividend income. You can start building your TFSA with similar companies to earn stable income and grow your investments slowly over time.

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