2 Top Dividend Stocks to Start Your TFSA Portfolio in 2018

Description

Diversification is the key for a successful investment portfolio. And the same holds true for a portfolio you're thinking of building through your Tax-Free Saving Account (TFSA).

As you slowly begin to add stocks in your TFSA, try to add companies from different sectors of the economy. In Canada, energy, telecom, and financial services companies have built solid businesses that are known for producing stable revenues and rewarding their investors.

If you take positions in these companies with a long-term investment horizon, the chances are that your portfolio will have a strong foundation and you will be able to grow your portfolio much faster through the power of compounding. Here are two solid dividend stocks from these sectors to consider in 2018.

Telus

Canadian telecom operators provide stable and growing dividend income. These companies benefit from Canada's protective environment where four operators control about 80% of the broadband and video market and more than 90% of the wireless market.

And Vancouver-based **Telus Corporation** (TSX:T)(NYSE:TU) is one of the top dividend stocks in this area. With growing wireless penetration and a robust immigration flow, Telus has solid ground to grow its subscribers. In the most recent quarter, the company added net 124,000 new postpaid subscribers.

Its customer loyalty is what separates Telus from other telecom players. The company has a lowest customer turnover, or "churn" rate, in the industry.

With a dividend yield of 4.5%, Telus has raised its dividend payout twice in 2017, taking total dividends to $1.97 a share.

For new TFSA investors, Telus is a great dividend stock to add to their portfolios. The company is targeting to hike its dividend with an annualized rate of 7-10% a year through 2019. I think Telus is a good long-term investment for TFSA investors seeking growth in their capital.

TransCanada

There are many great dividend payers in Canada's energy space, but **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) stands out due to its diversified business. The company runs a very profitable franchise, consisting of natural gas and liquids pipelines, power generation, and gas-storage facilities in North America.

These businesses produce hefty cash flows, which help TransCanada to pay a regular and growing dividend to shareholders. It has increased its dividend payout for 17 consecutive years — a track record that is tough to repeat.

With a stable source of cash flow, TransCanada shares are solid investments for buy-and-hold TFSA investors. During the past five years, TransCanada shares have surged ~30%, riding through the commodity market crash in 2014.

The company has a massive project pipeline, which will help the management to meet its 8-10% dividend-growth target through 2020. With an annual dividend yield of 3.88%, TransCanada pays a $0.48 quarterly dividend.

Investor takeaway

By picking stocks such as Telus and TransCanada, you can start to slowly building your TFSA portfolio. Dividend stocks will generate stable income for you and grow your portfolio as the years tick by. All you need to do is to be consistent in your approach with regular contributions to beef up your TFSA.

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