



## How to Create a Championship-Winning TFSA Portfolio

### Description

Although it's been a generation since the championship-winning team of Michael Jordan, Scottie Pippen, and the underrated Dennis Rodman won the finals, the trio still has a lot to teach us about approaching the investment game. Essentially, with three key pillars and a number of secondary participants, building a championship-winning team is easier than most believe.

Enter the Tax-Free Savings Account (TFSA) and the approach that investors use to select their top three stocks. The basketball trio made more than 45 points per game; therefore, investors should not hesitate to find three high-quality names to make up a significant amount of their TFSA.

Shares of **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), which is the country's largest [company](#) by market capitalization, currently pays a dividend of almost 3.5% and carries a dividend-payout ratio of no more than 45% for the past fiscal year.

After this behemoth, the next name to add is none other than **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)). Canadian National Railway has spent many generations developing its rail system, which will never be duplicated. Although the dividend is a less-than-average 1.6%, investors need to appreciate the unique asset they are buying, as the company is absolutely essential to the movement of goods across the country. Capital appreciation will make up a significant amount of the return for this company.

The third name to add to the list is the underrated **Inter Pipeline Ltd.** (TSX:IPL), which has remained cash flow positive over the past few years in spite of a lower price of oil, which has remained stubborn until recently. At a price of \$25.65 per share, investors will receive a dividend yield in excess of 6.5% in addition to shares in a company that have the potential to continue generating profits over the next decade and even longer. As a reminder, a pipeline (as long as it is maintained) can be a viable asset for at least a generation.

After the three main pillars, investors will want to round out their portfolios with high-quality names that will perform well under pressure. Without an excellent defence and players who can get the job done (when the big three are resting), no team will be able to bring the trophy home.

For each investor, the B team will be a little different.

Although many will want to add either cryptocurrency or shares of **Canopy Growth Corp.** to their portfolios, the smartest investors will opt for names such as **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)) that pay reasonable dividends and trade at a discount to tangible book value — with a high probability of making a profit.

After all, a team — just like a portfolio — needs to balance itself out (diversification) and have many strengths. Even those not wanting to take on an excessive amount of risk, shares of companies such as **Home Capital Group Inc.** ([TSX:HCG](#)) may still [find a home](#).

## CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TAC (TransAlta Corporation)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:HCG (Home Capital Group)
6. TSX:RY (Royal Bank of Canada)
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ryangoldsman

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