3 Top Canadian Stocks to Launch Your TFSA Retirement Fund

Description

Young Canadians are searching for ways to set aside some serious cash for their golden years.

In the past, this wasn't such a big concern, but the days of generous defined-benefit pensions are pretty much history. In fact, a full-time job with any pension benefit is becoming harder to find.

Contract work is more common, especially for those who have recently finished college or university, and many people are opting to be self-employed, even when full-time positions might be available. As a result, the burden of retirement planning is falling on the shoulders of many more Canadians these days.

Fortunately, there are options available to help young investors set aside some serious cash, and the TFSA is an important one.

It takes some patience and discipline, but investors who hold dividend stocks inside the TFSA can use the full value of the distributions to buy more shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over time.

Let's take a look at three stocks that might be good picks to get the ball rolling.

Canadian National Railway Company (TSX:CNR)(NYSE:CNI)

CN is the only rail operator in North America with rail lines connecting three coasts. The company is literally the backbone of the Canadian and U.S. economies, carrying everything from crude oil to cars, lumber, consumer goods, and coal.

Management is generous when it comes to sharing the profits with investors, both in the form of dividends and through share buybacks.

A $10,000 investment in CN two decades ago would be worth more than $200,000 today with the dividends reinvested.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

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

The company has invested heavily in acquiring new assets in the United States in recent years, and those businesses are performing well.

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

A $10,000 investment in Fortis 20 years ago would be worth more than $80,000 today with the dividends reinvested.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD is widely viewed as the safest of the big banks due to its strong focus on retail banking activities. The bank is primarily known for its large Canadian operations, but TD actually has more branches south of the border.

The U.S. division generates more than 30% of the company's profit, providing a nice hedge against any potential downturn in the Canadian economy.

TD's compound annual dividend-growth rate for the past 20 years is about 10%.

A $10,000 investment in TD two decades ago would be worth more than $100,000 today with the dividends reinvested.

The bottom line

There is no guarantee that these stocks will generate the same returns in the next 20 years, but all three should continue to be solid buy-and-hold picks for a dividend-focused TFSA retirement fund.

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2. NYSE:FTS (Fortis Inc.)
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Date
2025/08/14
Date Created
2018/01/26
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