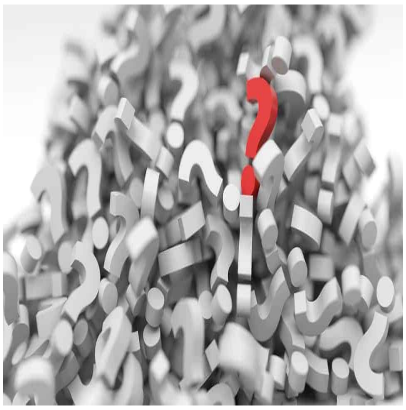

Should Suncor Energy Inc. or Bank of Nova Scotia Be in Your TFSA Retirement Fund?

Description

Canadian savers are searching for quality dividend stocks to hold in their pension portfolios.

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The decision to use the TFSA is a wise one, especially for investors in the early stages of their careers. By putting the funds in a TFSA, you reserve important RRSP room for when you're in a higher marginal tax bracket. The TFSA also protects all gains from the taxman, even when you decide to cash out.

Let's take a look at **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) to see why they might be interesting picks.

Suncor

Suncor took advantage of the downturn to buy some distressed assets at very attractive prices. The successful takeover of Canadian Oil Sands was the highest-profile deal, but Suncor also made additional tuck-in purchases to boost its reserves and production.

In addition, the company continued to push ahead with organic projects, including its Fort Hills and Hebron developments. These two massive facilities switched from development to production late last year, and Suncor should see the benefits start to roll in as output ramps up through 2018.

Most people view Suncor as simply an oil sands producer, but the company also owns large refineries, with more than 1,500 Petro-Canada service stations. These downstream assets provide a nice hedge against difficult times in the oil sector and are a big reason that Suncor's stock price held up so well through the rout.

Suncor recently reported strong financial results, raising the dividend by 12.5%.

Bank of Nova Scotia

Investors often skip Bank of Nova Scotia in favour of its larger peers, but that might not be a wisemove, especially for investors with a buy-and-hold strategy.

Why?

Bank of Nova Scotia has invested heavily in its international operations, with a specific focus on Mexico, Peru, Chile, and Colombia. These four countries form the core of the Pacific Alliance, which is a trade block set up to promote the free movement of goods and capital.

The combined market is home to more than 200 million consumers, and as the middle-class grows, Bank of Nova Scotia should benefit.

The international operations already contribute close to 30% of the bank's net income, providing a nice hedge against any potential downturn in the Canadian economy.

Bank of Nova Scotia has a strong track record of dividend growth, and the distribution should be very safe.

At the time of writing, the dividend provides a yield of 4%.

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Is one a better pick?

Suncor's dividend growth should continue to be robust in the coming years, supported by rising production and improving oil prices. Bank of Nova Scotia provides solid emerging market exposure, and the era of rising interest rates should be a net benefit to the bank.

At this point, I would probably split a new investment between the two stocks.

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