Young Investors: 3 Canadian Dividend Stocks to Start Your TFSA Retirement Fund

Description

Canadians are searching for ways to set aside enough cash to support a comfortable retirement.

This is especially true for new grads and those who are in the early part of their careers.

Why?

The world that young professionals are navigating today is somewhat different than the one their parents or grandparents faced when they began their careers. Full-time employment isn't as easy to secure as it used to be, and the jobs that are available don't always come with the generous pension packages that were common in the past.

In addition, the current state of the housing market means new home buyers probably shouldn't bank on the property becoming a retirement safety net. At least, not in the same way it has worked out for people who'd bought 30 years ago.

Young people do have one saving option that wasn't available for their parents at the same age, and that's the Tax-Free Savings Account (TFSA).

The TFSA protects all income and capital gains from the taxman, which is great for investors with a long-term plan. You can hold dividend stocks inside the account and reinvest the full value of the distributions in new shares. This sets off a powerful compounding process that could turn a modest initial investment into a nice nest egg over time. When the moment comes to cash out, all the gains go straight into your pocket.

Let's look at three stocks that might be attractive today.

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

TD is widely viewed as the safest Canadian bank due to its heavy focus on retail banking activities. The bank also has a large U.S. operation, which provides a nice hedge against any potential downturn in the Canadian market.

TD has a 20-year compound annual dividend-growth rate of better than 10%, and the strong trend should continue.

At the time of writing, the stock provides a yield of 3.6%.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE expanded its powerful footprint last year when it bought Manitoba Telecom Services. In addition, the company launched a new low-cost prepaid phone business, Lucky Mobile, and recently acquired home security provider AlarmForce.

The new assets should boost revenue and cash flow and help support continued dividend increases.

BCE generates adequate free cash flow to cover its generous quarterly payout. The dividend currently provides a yield of 5.3%.

Suncor Energy Inc. (TSX:SU)(NSE:SU)

Suncor is primarily known for its oil sands operations, but the company also owns large refineries and more than 1,500 Petro-Canada retail stations. The downstream assets provide a nice hedge against falling oil prices and are a big reason the stock held up so well during the oil rout.

Suncor took advantage of the downturn to add strategic assets at attractive prices. In addition, the company recently completed two major development projects. As a result, production should increase at a healthy clip in the coming years.

Suncor just raised its dividend by 12.5%. The payout now provides a yield of 3.4%.

The bottom line

All three companies should be solid picks for a buy-and-hold TFSA retirement fund. It takes patience and discipline, but young investors can still set aside some serious cash for the golden years and using the TFSA is a great way to start.

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