2 Top Canadian Dividend Stocks to Launch Your TFSA Retirement Portfolio

Description

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

One popular strategy involves buying dividend stocks and investing the distributions in new shares. The tax-free status of the TFSA means the full value of the distributions can be reinvested, and when the time finally comes to cash out, all the capital gains are yours to keep.

Let's take a look at two top Canadian dividend stocks that might be attractive picks today.

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

Enbridge currently trades for close to $42 per share. A year ago, the stock fetched $55.

What's going on?

Rising interest rates have the market worried that investors who ran to dividend stocks in recent years might sell and put their money in fixed-income alternatives. The concern is valid to a certain extent, but the market's anticipation of the move might be getting out of hand.

Enbridge raised its dividend by 15% last year and just bumped up the payout by another 10% for 2018. That trend should continue through at least 2021, given the size of the near-term development portfolio. The company is working through $22 billion in commercially secured projects that should be completed over the next three years.

Enbridge has a strong track record of raising the payout, so investors should feel comfortable with the outlook. At the time of writing, the current dividend provides a yield of 6.4%.

Fixed-income returns might be increasing, but it will be quite some time before we see a GIC that pays anything close to the yield you get from Enbridge today.

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

TD recently reported adjusted net income of $2.95 billion for fiscal Q1 2018. That's right, the bank made about $1 billion per month!

Loan volumes, deposit volumes, and wealth revenue all increased compared to the same quarter last year, and the good times will probably keep on rolling.

Why?

Rising interest rates tend to be a net benefit for the banks, and both the Canadian and U.S. economies are in good shape. TD is primarily known for its Canadian operations, but the bank actually has more branches south of the border than it does in the home country. This provides investors with a nice way to get U.S. exposure through a Canadian company.

The stock isn't cheap, but you are paying for quality and a rock-solid dividend. At the time of writing, the distribution provides a yield of 3.5%.

Is one more attractive?

Both companies should be reliable buy-and-hold picks for a new TFSA retirement fund. If you only buy one, I would probably make Enbridge the first choice today. The stock looks oversold, and the dividend should be very safe. It's not often you can pick up a 6.4% yield from a dividend aristocrat.

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