2 Top Canadian Dividend Stocks to Start Your TFSA Retirement Plan

Description

Canadian investors are searching for ways to build an adequate savings fund for retirement.

One popular strategy involves owning top-quality dividend stocks and investing the distributions in new shares. This takes advantage of the power of compounding and can turn modest initial investments into a nice nest egg over time.

Let's take a look at **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see why they might be interesting picks.

Suncor

Suncor reported Q1 2018 operating earnings of $985 million, or $0.60 per share, compared to $812 million, or $0.49 per share, in the same period last year.

Rising oil prices are driving better results in the oil sands operations, but Suncor also saw improvements in the refining business. In fact, realized refining margins rose 38%, as utilization rates hit 98% and throughput came in at a Q1 record of 453,500 barrels per day.

Suncor took advantage of its strong balance sheet during the downturn to add strategic assets, including the takeover of Canadian Oil Sands. The company also pushed ahead with large development programs. Two of the projects, Fort Hills and Hebron, shifted to production in late 2017. Output will continue to increase at the sites through 2018 and beyond.

Suncor raised its dividend by 12.5% for 2018, and investors should see steady increases continue in the coming years.

Long-term investors have done well with this stock. A $10,000 investment in Suncor 20 years ago would be worth more than $95,000 today with the dividends reinvested.

TD

TD is widely viewed as Canada’s safest bank due to its focus on retail banking activities. Most people are familiar with the Canadian operations, but TD also has a large presence in the United States.

The company has invested heavily over the past decade or so to acquire and build a U.S. business with operations running right down the east coast from Maine to Florida. TD now operates more branches in the United States than it does in Canada.

The American business contributes more than 30% of TD’s profits, providing a nice hedge against a downturn in the Canadian economy.

Rising interest rates should be positive for the bank, and management expects to see solid earnings-per-share growth over the medium term. The company reported a 15% increase in fiscal Q1 adjusted net earnings compared to Q1 2017.

TD recently raised its dividend by nearly 12%. The current payout provides a yield of 3.6%.

A $10,000 investment in TD just 20 years ago would be worth more than $85,000 today with the dividends reinvested.

The bottom line

The strategy of owning top dividend stocks and investing the distributions in new shares is a proven one, and while there is no guarantee Suncor and TD will deliver the same returns over the next two decades, the two companies remain market leaders and should continue to be solid buy-and-hold picks.

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