New Investors: Start Your TFSA Retirement fund With 2 Top Canadian Dividend Stocks

Description

Young Canadians are using their TFSA to set aside cash to help fund a comfortable retirement.

The strategy is a wise one, especially when the money is invested in quality dividend stocks and the distributions are used to acquire more shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice next egg over time.

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

TD

TD is widely viewed as the safest of the Canadian banks due to its heavy reliance on retail banking activities, which tend to be less volatile than that of other segments, such as capital markets.

Based on the latest results, the strategy appears to be working quite well.

TD just reported fiscal Q2 2018 net income of $2.9 billion, compared to $2.5 billion in the same period last year. The Canadian retail operations saw net income rise 17% on a year-over-year basis, supported by loan and deposit growth of 6%.

Most people think of TD as being just a Canadian company, but TD actually has more branches located in the United States. The American operations provide a nice hedge against a downturn in the Canadian economy, contributing $979 million in net income in the most recent quarter.

TD is one of Canada's best dividend growth stories. The company has a compound annual dividend growth rate of more than 10% over the past 20 years. The strong trend looks set to continue, as TD raised the payout by 11.7% when it reported the Q1 earnings earlier this year.

At the time of writing, the stock provides a yield of 3.5%.

Long-term investors have done well with this stock. A $10,000 investment in TD just 20 years ago would be worth more than $85,000 today with the dividends reinvested.

Suncor

Suncor is primarily known as an oil sands producer, but the company also operates refineries and more than 1,500 Petro-Canada retail stations.

The integrated business structure enabled the company to weather the oil rout in much better shape than most of its pure-play producer peers.

As a result, Suncor took advantage of its strong balance sheet to acquire strategic assets at discounted prices, including the purchase of Canadian Oil Sands, which gave Suncor a majority stake in Syncrude Canada Ltd.

When combined with the recently completed Fort Hills and Hebron projects, these assets should drive strong production growth for decades.

Suncor is seeing the benefits from the rebound in oil prices and is sharing the spoils with investors. The company raised its dividend by 12.5% earlier this year, and investors should continue to receive generous increases in the coming years.

The dividend currently provides a yield of 3%.

An investor who bought $10,000 in Suncor stock 20 years ago would have more than $100,000 today with the dividends reinvested.

The bottom line

TD and Suncor are proven buy-and-hold picks, which should remain the case. If you’re looking for a couple of companies to start your retirement portfolio, these two deserve to be on your radar.

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