2 Top Dividend Stocks You Can Safely Stash in Your TFSA

Description

If you're planning to start saving through your Tax-Free Savings Account (TFSA), it's better to begin with some solid dividend-paying companies. This approach suits retail investors whose investing aim is to slowly build an income-producing portfolio for their retirement years.

Top dividend stocks that produce steady cash flows and regularly hike their dividends are among the best investment options for TFSA investors. Here are two such examples that can help you get started on building your TFSA retirement portfolio.

BCE Inc.

Investing in Canada's top telecom companies is one of the best bets for investors who want to earn stable income. One factor that makes Canada's telecom sector attractive when compared to operators south of the border is that Canada has a very restrictive operating environment, where it's tough for new entrants to challenge the existing companies.

In Canada, the telecom market is divided among four players that control about 80% of the broadband and video market and more than 90% of the wireless market.

Among the top players, **BCE Inc.** (TSX:BCE)(NYSE:BCE) is my favourite pick. During the past 10 years, BCE's payout has more than doubled. Following a 5.2% hike announced earlier this year, BCE's annual dividend rose $3.02 a share this year, representing a 107% jump since 2008. For long-term income investors, BCE stock presents both attractive yield and a growth potential.

Trading at $54.29 and with an annual dividend yield of 5.56%, BCE is well positioned to continue with its growth. It has invested tens of billions of dollars in everything from wireless to data lines to media assets, and it is rapidly expanding Canada's broadband fibre and wireless network infrastructure, with annual capital investments surpassing $4 billion.

Royal Bank of Canada

In Canada, banks offer another great avenue to earn attractive dividend income. The country's top lending institutions operate in an oligopoly, where each large player has a significant market share that's big enough to produce consistent returns for their shareholders.

That stability helps Canadian banks distribute much of their profits in dividends each year. Canada's top five lenders, on average, pay between 40% and 50% of their income in dividends each year.

For investors who are just starting their saving journey, it's better to stick with the biggest and the best names. **Royal Bank of Canada** (TSX:RY) (NYSE:RY), the nation's largest bank with more than $1.2 trillion in total assets, is one such low-risk bet in this space.

The lender has paid distributions to shareholders every year since 1870. In its second-quarter earnings, RBC surpassed analysts' expectations for profitability, reporting a 9% jump in the profitability. In the previous quarter, the lender raised its annual payout to $3.79 a share.

Trading at $100.25 and with an annual dividend yield of 3.75%, RBC stock looks expensive when compared to other lenders. Still, investing in this top lender is a winning bet if you've a long-term time horizon

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Date
2025/07/04
Date Created
2018/06/15
Author
hanwar