2 Solid Dividend Stocks for Your TFSA Retirement Fund

Description

Canadian investors are searching for top stocks to add to their TFSA retirement portfolios.

The strategy makes sense now that the TFSA contribution room has grown to the point where using it can help investors put aside some serious cash over the course of the next 20 or 30 years. Once the time comes to spend the money, you don't have to pay any tax on the capital gains.

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

Sun Life Financial (TSX:SLF)(NYSE:SLF)

Sun Life has pulled back from a high near $56 in May to about $53 per share. That's not a big drop, but it gives investors an opportunity to pick up the stock while it is reasonably priced.

Sun Life's insurance, asset management, and wealth management operations should do well in a rising interest rate environment. Both Canada and the U.S. have bumped up interest rates over the past year, and that trend should continue, as economic growth and low unemployment start to put upward pressure on inflation.

The sweet spot is an inflation rate of about 2%, but Statistics Canada just released its report for July that indicates inflation hit 3%, which is the higher reading since 2011. This means the Bank of Canada will likely step up its pace of rate increases.

Higher rates tend to be good for insurance companies, as they boost the return that can be earned on funds set aside to cover potential claims.

Sun Life is also attractive for buy-and-hold investors who want exposure to emerging markets. The company has established subsidiaries or partnerships in several Asian countries, including India, China, Vietnam, Malaysia, Indonesia, and the Philippines. As the middle class grows in these countries, demand for insurance and investment products should soar.

Sun Life has returned to dividend growth after hitting the pause button while it recovered from the financial crisis, and more gains should be on the way. The current payout provides a yield of 3.6%.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge spent $37 billion last year to buy Spectra Energy in a deal that created North America's largest energy infrastructure company. The market didn't like the move, thinking Enbridge's balance sheet might be getting a bit heavy on the debt side in the face of rising rates.

The stock extended its decline from the 2015 high near $65 to a 2018 low around $38 per share. In the past three months, however, it appears the tide has turned, and Enbridge is back to $47. The company is making good progress on efforts to monetize non-core assets, as it shifts to become squarely focused on regulated businesses. Enbridge already found buyers for $7.5 billion of the $10 billion it had identified for sale over the next three years.

Proceeds will be used to shore up the balance sheet and help fund the ongoing near-term capital plan. Long-term organic growth is still a question amid the current anti-pipeline environment, but the company pays a rock-solid dividend that should continue to increase over the medium term and additional acquisitions could be on the way.

The current payout provides a yield of 5.7%.

The bottom line

Sun Life and Enbridge look somewhat oversold today and should be strong buy-and-hold picks for a dividend-focused TFSA retirement fund.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/25
Date Created
2018/08/20
Author
aswalker