TFSA Retirement Investors: 3 Top Canadian Dividend Stocks That Look Oversold

Description

Canadians are using their TFSAs to set aside funds for retirement.

One popular strategy involves buying quality dividend stocks and using the distributions to acquire additional shares. The process is most effective when done over a long period of time, as the power of compounding can turn relatively small initial investments into significant savings.

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Let’s take a look at three industry leaders that have pulled back from their highs and still offer growing dividends.

TransCanada (TSX:TRP)(NYSE:TRP)

TransCanada made a major acquisition in 2016 that added key strategic natural gas pipelines and infrastructure in the United States, including assets running form New York to the Gulf Coast. The US$13 billion purchase of Columbia Pipelines also provided a nice boost to the development program.

The company continues to work through $28 billion in near-term projects and has an additional $20 billion in development opportunities under consideration.

As the new assets go into service, cash flow is expected to improve enough to support annual dividend growth of 8-10% through 2021. Any positive news on the second portfolio of opportunities could result in an upgrade to the dividend-growth guidance.

TransCanada’s current dividend provides a yield of 5.2%.

BCE (TSX:BCE)(NYSE:BCE)

BCE continues to invest billions in the expansion of its wireless and wireline networks. The company is also extending its reach through acquisitions, including the purchases of Manitoba Telecom Services and AlarmForce it made in 2017 and early this year.

The stock is down amid concerns that rising interest rates will make stocks of slow-growth dividend payers less attractive. It’s true that some funds might shift to fixed-income alternatives, but the drop in BCE’s stock price appears overdone.

Investors who buy today get a dividend that should continue to grow around 5% per year and offers a 5.8% yield.

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

Sun Life owns insurance and wealth management businesses in Canada, the United States, the UK, and Asia. Rising interest rates should provide good support to the bottom line of the insurance operations, as Sun Life can get a better return on the funds it has to set aside for potential claims.

As a long-term play, Sun Life’s Asia businesses have the potential to generate strong growth for decades, especially in India, China, and the Philippines. The company has subsidiaries or partnerships in other key markets in the region, as well, including Indonesia and Vietnam.

Sun Life’s dividend provides a yield of 3.7%.

If you are looking for a financial stock that isn’t a bank, Sun Life deserves to be on your radar.

The bottom line

TransCanada, BCE, and Sun Life all pay growing dividends that should be safe and currently trade at reasonable valuations.

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