5 Attractive Canadian Stocks to Start Your TFSA Retirement Portfolio

Description

Young Canadians are using their Tax-Free Savings Accounts (TFSAs) to set some cash aside for the future.

One effective strategy for growing savings into a substantial cash pile involves owning quality dividend-growth stocks and using the distributions to buy new shares. Inside the TFSA, the compounding process can be tapped to its greatest effect, as the full value of the dividends can be used to acquire additional stock, and when the day arrives to cash out and spend the money in retirement, all of the gains are tax-free.

Let’s take a look at five companies that should be solid buy-and-hold picks for a TFSA fund.

Nutrien (TSX:NTR)(NYSE:NTR)

Nutrien is a global leader in the production of crop nutrients such as potash, nitrogen, and phosphate. The company also has a large retail division that sells seed and crop protection products to farmers around the world. Fertilizer prices are recovering after a multi-year slump and Nutrien is starting to see the benefits. In fact, management already raised guidance twice in 2018.

Population growth, rising demand for meat in developing countries, and the loss of arable land to urban expansion all point to a future of strong demand for fertilizers as farmers will need to produce more with less space.

Nutrien pays a quarterly dividend of US$0.40 per share for a yield of 2.8%.

Suncor Energy (TSX:SU)(NYSE:SU)

Suncor’s integrated business structure includes production, refining, and marketing operations. This sets it apart from many of its peers. When oil prices fall, the downstream assets tend to provide a nice hedge against weakness in the production group. When oil prices rise, Suncor becomes a cash machine.

Suncor raised its dividend by 12.5% in 2018. The payout currently provides a yield of 2.9%.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD is best known for its Canadian business, but the company actually has more branches in operation in the United States. Canada still generates the largest part of the company's profits, but the American business is catching up, and that trend should continue as interest rates rise and TD sees additional benefits from lower taxes.

The bank is often touted as the safest pick among the big Canadian banks due to its focus on retail banking. TD has a strong track record of dividend growth, with a compound annual increase of more than 10% over the past two decades. Investors who buy today can pick up a 3.4% yield.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN is one of those businesses you can simply buy and forget about for two or three decades. The company has a wide competitive moat with an unmatched rail network that touches three coasts. CN has to compete with trucking companies and other railways on some routes, but overall, there is limited competition. Demand for its services should continue to grow and CN is widely considered the best-managed company in the sector.

The dividend only provides a yield of 1.6%, but CN has one of the best dividend-growth track records in the TSX Index.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis operates $50 billion in assets spread out across Canada, the United States, and the Caribbean. Nearly all of the revenue comes from regulated businesses, including natural gas distribution, power generation, and electric transmission. This tends to provide stable and predictable cash flow, which is great for dividend investors.

Fortis continues to grow through acquisitions and organic development and anticipates medium-term dividend increases of 6% per year. The payout provides a yield of 4%.

The bottom line

All five companies are leaders in their respective sectors and have solid track records of delivering strong returns to their shareholders. An equal investment across these stocks should provide a good base for a TFSA retirement portfolio.

Other stocks are also worth considering today.

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3. NYSE:NTR (Nutrien)
4. NYSE:SU (Suncor Energy Inc.)
5. NYSE:TD (The Toronto-Dominion Bank)
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