TFSA Investors: 3 Top Stocks to Start a New Retirement Portfolio

Description

Canadians are searching for ways to ensure they have enough cash to fund a comfortable retirement.

This isn't new, but changes in the way we work and shifts in the benefits that are offered by companies are forcing more people to take retirement planning into their own hands. Contract work is more common and defined-benefit pensions are becoming scarce.

Using the Tax-Free Savings Account (TFSA) to hold dividend stocks is one way people can set up their own pension funds. Over the course of a few decades, the process of reinvesting dividends in new shares can turn relatively small initial positions into significant retirement savings.

Let's take a look at three companies that might be interesting picks to get the TFSA retirement fund started.

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

CN has an advantage in the North American rail sector that is unlikely to change. The company is the only railway with tracks connecting three coast, providing access to both Pacific and Atlantic ports in Canada and the Gulf Coast in the United States. As a result, CN can offer its customers unique connections for the transportation of raw materials and finished goods.

CN is investing $3.5 billion in 2018 as part of its ongoing capital program to boost capacity and improve efficiency along its network. The company generates significant free cash flow and has a long history of providing above-average dividend growth of roughly 16% per year.

Suncor (TSX:SU)(NYSE:SU)

Oil production at oil sands and offshore sites is the largest part of Suncor's business, but the company also operates four refineries and more than 1,500 Petro-Canada retail stations. These assets provide a nice balance to the revenue stream and help offset the cash flow impact when oil prices drop.

Suncor added significant resources at attractive prices during the downturn and is now enjoying the benefits as oil prices recover. With strong production growth on the horizon, investors should see Suncor's dividend continues to increase at a steady pace. The company raised the payout by 12.5% for 2018.

Bank of Montreal (TSX:BMO)(NYSE:BMO)

Bank of Montreal is Canada's oldest bank and has paid a dividend every year since 1829. Investors often overlook the bank in favour of its larger peers, but that might be a mistake.

Bank of Montreal has a balanced revenue stream spread out across its personal and commercial banking, wealth management, and capital markets divisions. The company's U.S. operations provide a nice hedge against economic trouble in Canada and should continue to drive strong results as interest rates rise in the United States.

In Canada, Bank of Montreal's exposure to the housing market isn't as large as it is for some of the other banks. As a result, any downturn in the market should have a smaller impact.

Bank of Montreal's current dividend provides a yield of 3.7%.

The bottom line

CN, Suncor, and Bank of Montreal are top companies in their respective industries and should continue to be attractive picks. An equal investment in each stock would provide a solid base for a buy-and-hold TFSA retirement fund.

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