New Investors: 3 Top TSX Index Stocks to Start Your TFSA Retirement Portfolio

Description

Canadians are increasingly using their Tax Free savings Account (TFSA) as a tool to set some cash aside for their retirement years.

The 2019 TFSA contribution limit will be $6,000, which means that any Canadian resident who was at least 18 years old in 2009 will have as much as $63,500 in contribution room beginning in January. That is large enough to put together a nice portfolio of dividend growth stocks to launch a retirement fund.

The TFSA enables investors to reinvest the full value of the distributions in new shares, setting off a powerful compounding process that can grow reasonably small initial investments into a large portfolio over the course of two or three decades. When it comes time to cash out and enjoy the money, any capital gains are also tax-free.

Let's take a look at three top Canadian dividend stocks that might be interesting picks right now to start your TFSA retirement portfolio.

Royal Bank of Canada (TSX:RY)(NYSE:RY)

Royal Bank just reported strong fiscal 2018 results. The company generated record net income of $12.4 billion, representing an 8% increase over fiscal 2017.

The company has a balanced revenue stream coming from a variety of segments in the industry. Wealth management earnings stole the show, rising 23% on a year-over-year basis, supported by higher net interest income as a result of rising interest rates, particularly in the United States.

The capital markets group delivered a 10% gain in earnings. Insurance earnings rose 7%, and personal and commercial banking profits increased 5%. Income from investor and treasury services were flat compared to 2017.

Royal Bank raised the dividend twice in the past 12 months for a total annualized increase of 8%. The current payout provides a yield of 4%.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge is North America's largest energy infrastructure company with expansive natural gas and oil pipeline networks.

Management has launched a strategy shift that will make Enbridge more focused on regulated businesses. The company has already signed deals to monetize $7.5 billion in non-core assets and is simplifying its corporate structure through the buyback of its various subsidiaries.

The $22 billion in secured growth projects should drive revenue higher in the coming years and support annual dividend increases of at least 8% over the medium term.

Investors who buy today can pick up a 6% yield.

Telus (TSX:T)(NYSE:TU)

Telus is benefitting from the billions of dollars it has invested in network expansion and upgrades. The company generated operating revenue of $3.8 billion in Q3 2018, representing an 11% increase over the same period last year.

Telus added 187,000 new customers in the quarter and continues to see postpaid mobile churn rates below 1%.

The company just raised the quarterly dividend to $0.545 per share. This is the sixteenth dividend hike since 2011, and investors should see the steady trend continue as free cash flow rose 40% in the quarter compared to Q3 2017.

The dividend provides a yield of 4.6%.

The bottom line

Royal Bank, Enbridge, and Telus are leaders in their industries and operate strong businesses that continue to grow. If you are looking for stocks to anchor a TFSA retirement fund, these companies deserve to be on your radar today.

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