3 Canadian Dividend Stocks to Start Your TFSA Retirement Fund in 2019

Description

Canadians are starting to use the Tax Free Savings Account (TFSA) as part of their retirement planning strategy.

The TFSA was launched in 2009; any Canadian resident who was at least 18 at the time now has up to $57,500 in contribution room. The amount will increase by $6,000 at the beginning of 2019.

This is large enough for people to start a decent retirement fund to complement company pensions, RRSPs, CPP, and OAS in the golden years. In some cases, a company pension might not be part of the equation, as contract work is becoming more common.

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

Fortis (TSX:FTS)(NYSE:FTS)

Fortis has grown from being a small utility in eastern Canada to a major player in the Canadian and U.S. markets with extensive power generation, electric transmission, and natural gas distribution assets.

The majority of the company's revenue comes from regulated businesses and Fortis continues to expand its cash flow stream through strategic acquisitions and organic projects. The current $17.3 billion capital program is expected to boost the rate base significantly over the next five years. As a result, Fortis intends to raise the dividend by 6% per year through 2023. That's pretty good guidance in this environment.

The current payout provides a yield of 3.9%.

A $10,000 investment in Fortis 15 years ago would be worth more than $50,000 today with the dividends reinvested.

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

TD is widely viewed as the safest bet among Canada's large banks. The company has a small energy portfolio compared to its peers and relies heavily on bread-and-butter retail banking activities for most of its revenue, while some other banks that have large capital markets groups that can see volatility in the revenue stream.

TD also runs a large U.S. business that contributes more than 30% of the company's profits, thereby helping to offset any potential trouble in the Canadian operations. Investors should see solid results continue south of the border amid rising interest rates.

TD has a compound annual dividend growth rate of about 11% over the past 20 years. The current distribution provides a yield of 3.8%.

A $10,000 investment in TD just 15 years ago would be worth more than $55,000 today with the dividends reinvested.

BCE (TSX:BCE)(NYSE:BCE)

BCE might be a slow-growth story, but the company continues to expand. The communications giant is investing billions of dollars to roll out its fibre-to-the-premises network. This is an advantage when offering state-of-the-art broadband solutions to customers who are constantly consuming more data.

The company generates healthy free cash flow and its dominant position in the Canadian communications market gives it the power to raise prices when it needs some extra cash. Investors should see the dividend continue to grow at a steady clip. The existing payout provides a yield of 5.3%.

A $10,000 investment in BCE 15 years ago would be worth more than $38,000 today with the dividends reinvested.

The bottom line

Fortis, TD, and BCE should all be solid buy-and-hold picks to launch a dividend-focused TFSA portfolio. Investors get good exposure to the United States through TD and Fortis, and can cover three different industries as part of a diversified fund.

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