Should You Buy Toronto-Dominion Bank (TSX:TD) or Canadian National Railway Company (TSX:CNR) Stock to Start Your TFSA Retirement Portfolio in 2019?

Description

Canadian savers are using their self-directed TFSA to set aside cash to help cover living expenses in retirement.

The TFSA contribution limit increases by $6,000 in 2019, bringing the total potential amount Canadian residents can contribute since the 2009 inception of the program to $63,500. This is adequate to set up a solid retirement portfolio focused on top-quality Canadian stocks.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Canadian National Railway**(TSX:CNR)(NYSE:CNI) to see if one might be an interesting TFSA pick right now.

TD

TD traded for close to $80 per share in September. Today, investors can buy the stock for about $67. That's a significant drop for a company that is generating strong profits and targeting earnings growth of 7-10% per year over the medium term.

TD generated $3 billion in profits in the latest quarter, supported by strong results south of the border. The company spent billions over the past decade to build a strong U.S. retail presence, and those efforts are paying off amid lower taxes and higher interest rates in the United States.

TD has a compound annual dividend-growth rate of better than 10% over the past 20 years, and investors should see solid dividend hikes continue. The existing payout provides a yield of 4%.

TD currently trades at 11.25 time trailing 12-month earnings. Given the solid outlook for profit growth, the stock appears oversold right now.

CN

CN had a rough start to 2018, as industry labour disputes and turnover in senior leadership caused some concern for investors. Those situations have been resolved, and CN appears to be back on track to deliver the performance long-term investors are accustomed to seeing with the company.

CN invested roughly $3.5 billion in new locomotives, rail cars, and network upgrades in 2018. The capital program is expected to be similar in 2019, as the company ensures it has the capacity to meet growing demand from its customers. Crude oil and fertilizer shipments should be strong in the coming year, and CN says it could see record freight levels.

The company generates significant free cash flow and is using some of the funds to buy back shares. In addition, investors should see a generous dividend boost in 2019. CN has a 16% compound annual dividend growth rate over the past two decades.

The stock is down from $118 per share in early October to $100. Any serious dip in CN over the years has always proven to be a good buying opportunity. If you want a stock you can tuck away in your TFSA for decades, CN deserves to be on your radar right now.

Is one more attractive?

TD and CN are two of Canada’s top companies and should be solid buy-and-hold picks for a self-directed TFSA retirement portfolio. The pullbacks in the stock prices over the past couple of months are providing an interesting opportunity to buy these companies at attractive levels. At this point, I would probably split a new investment between the two stocks.

CATEGORY

1. Bank Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Investing

3. Stocks for Beginners

Date
2025/08/26
Date Created
2018/12/28
Author
aswalker