TFSA Retirement Investors: 3 Canadian Stocks to Own for Decades

Description

Canadians are constantly searching for ways to ensure they have enough funds available to support a comfortable lifestyle when they retire.

In the past, most people worked for the same company for their entire careers and then retired with generous defined-benefit pensions. Those plans are still available in government jobs and at some companies, but the majority of businesses have switched to defined-contribution plans that can vary significantly when it comes to how much the employer kicks in for the employee. In addition, the defined-contribution system shifts the risk onto the shoulders of the worker.

Beyond that, many people are choosing to be self-employed or prefer to bounce around on contracts. In these situations, the full burden of retirement planning rests with the individual.

One strategy that investors are using is to buy quality dividend stocks inside a TFSA and use the tax-free distributions to acquire more shares. Over time, the compounding process can turn a relatively small initial sum into a decent nest egg.

Let's take a look at three Canadian stocks that might be interesting picks right now for a self-directed TFSA retirement portfolio.

Suncor (TSX:SU)(NYSE:SU)

The volatility of oil prices in the past four years might deter most investors from owning energy stocks. And given the meltdown we have seen in some former darlings, it is probably best to avoid the pure-play oil producers. However, some companies, such as Suncor, have rock-solid balance sheets and diversified revenue streams that provide a nice hedge against difficult times.

Suncor's refining and marketing operations hold the fort when oil prices fall, and the company becomes a cash flow machine when oil rises. Suncor maintained dividend increases through the recent difficult times, and investors should see a generous hike this year.

The stock appears attractive at the current price, and the existing dividend provides a decent 3.6% yield.

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

Bank of Montreal might not get the respect it deserves. The company has a balanced revenue stream and is less exposed to a potential crash in the Canadian housing market than some of its peers. In addition, the large U.S. operations provide a significant chunk of the company's earnings, which helps if Canada hits a rough patch.

Bank of Montreal has paid a dividend every year since 1829, and the trend should continue. At the time of writing, the stock trades at an attractive valuation and provides a yield of 4.3%.

Telus (TSX:T)(NYSE:TU)

Telus is a great buy-and-hold stock. The company operates in the cozy Canadian communications industry where a handful of large players dominate the market and have the power to charge prices that ensure they make good money. This might annoy consumers, but it is great for shareholders.

Telus invests billions to ensure it continues to deliver state-of-the-art services and its focus on customer satisfaction has resulted in an industry-low churn rate. The company is also building an interesting digital health division that has the potential to contribute significant cash flow in the coming years.

Telus has a great history of dividend growth and currently provides a yield of 4.8%.

The bottom line

Suncor, Bank of Montreal, and Telus are strong companies with proven track records of growth. The three stocks appear cheap today and should be solid holdings for a dividend-focused TFSA retirement portfolio.

Other stocks are also worth considering right now.

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