2 Top Stocks to Buy in 2019 With Your Additional $6,000 TFSA Room

Description

Canadian savers are searching for ways to build up a substantial amount of money in their TFSAs to complement their employment or government pension programs.

One strategy involves buying quality dividend stocks and investing the tax-free distributions in new shares. This sets off a compounding process that can turn a modest initial fund into a serious retirement stash over the course of two or three decades.

Let's take a look at two Canadian stocks that might be interesting picks right now.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

CNRL is somewhat unique in the Canadian energy patch. The company has vast resources that cover the full spectrum of the hydrocarbon segment, including oil sands, heavy oil, light oil, natural gas, and natural gas liquids assets. Most of the operations are located in Canada, but CNRL also has holdings in the North Sea and Offshore Africa.

The majority of the assets are 100% owned by CNRL, giving the company valuable flexibility to shift capital around the portfolio, taking advantage of positive shifts in commodity prices.

CNRL is very disciplined when it comes to managing its debt level and is generous with its distributions to shareholders. Management raised the dividend by 22.5% in 2018, and investors should see another healthy increase this year.

The stock has already bounced 20% off the 2018 low of $30 per share it hit on December 24, but more gains should be on the way. In July last year this stock was above $48.

At the time of writing, investors can buy CNRL for $36 and pick up a yield of 3.7%.

BCE (TSX:BCE)(NYSE:BCE)

BCE is a dominant player in the cozy Canadian communications sector. The company continues to invest billions in network infrastructure to ensure it remains competitive and can feed the bandwidth hunger of its residential and commercial customers. The fibre-to-the-premises roll-out should ensure the company protects its turf, and the nature of the Canadian industry enables BCE to raise prices relatively easily when it needs some extra cash.

The acquisition of Manitoba Telecom Service provided a nice boost for BCE in central Canada and sets up an opportunity to expand its reach in the western part of the country.

BCE generates adequate free cash flow to support the dividend. The current payout provides a yield of 5.4%.

The bottom line

CNRL and BCE are leaders in their respective industries and should be solid buy-and-hold picks for a dividend-focused TFSA. If you only buy one, I would probably make CNRL the first choice today. Oil prices should continue to recover, and the stock still appears oversold.

Other stocks are also worth considering right now.

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