3 TSX Index Leaders to Begin a TFSA Retirement Portfolio

Description

Young Canadians are taking advantage of the growing contribution space in their TFSA to start a retirement savings fund.

The strategy makes sense for investors who are still in the early years of their career and anticipate being in much higher tax brackets later in life. Investing money inside the TFSA before the RRSP allows investors to save their RRSP room for times when the contributions will have a larger impact on reducing taxable income. The TFSA is also attractive due to its flexibility, and any distributions paid or capital gains generated can go straight into your pocket or invested back into new stock.

Let's take a look at three Canadian companies that might be interesting picks to launch a self-directed TFSA retirement portfolio.

BCE (TSX:BCE)(NYSE:BCE)

BCE is a leader in the Canadian communications sector with a long track record of paying generous and growing dividends. With a market capitalization of $50 billion, the company has the financial firepower to invest the billions of dollars needed to ensure it can meet the growing demand for broadband services across its wireless and wireline networks.

The company has the power to raise prices as needed and can fund major acquisitions, as we saw with the purchase of Manitoba Telecom Services.

BCE's stock has bounced off the 2018 low but still appears attractively priced. Investors who buy today can pick up a yield of 5.3%.

Canadian National Railway (TSX:CNR) (NYSE:CNI)

CN just reported strong Q4 2018 results and raised the dividend by 18% for 2019. The company generates substantial free cash flow and continues to invest in the upgrades required to ensure it remains competitive with other rail carriers and the trucking industry. In the Q4 earnings release, CN said it plans to spend a record $3.9 billion on capital projects in 2019.

CN has a compound annual dividend-growth rate of better than 16% over the past two decades. The company also returns cash to shareholders through stock buybacks and intends to repurchase up to 22 million shares over the next 12 months.

The stock is still off the 2018 highs, despite a strong finish to the year and a robust outlook for 2019.

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

Royal Bank's market capitalization of more than $140 billion makes it the largest company on the TSX Index based on that metric. The bank reported more than $12 billion in profits for fiscal 2018, and the good times are expected to continue this year and beyond.

Royal Bank is investing heavily to ensure it can compete in the digital age and customer interaction through its digital services is increasing significantly.

The stock remains attractively priced and provides a solid 4.8% yield today.

The bottom line

BCE, CN, and Royal Bank are all leaders in their respective industries and should be strong buy-and-hold picks for investors looking to start a TFSA retirement portfolio.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:CNR (Canadian National Railway Company)
6. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

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

Category

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

Date
2025/08/21
Date Created
2019/01/31
Author
aswalker