New Investors: 2 Top TSX Index Stocks to Start a Balanced Retirement Portfolio

Description

Are you searching for ways to set some cash aside to fund a comfortable life in the golden years?

Retirement planning used to be an easy process. Young people finished college or university, landed a full-time gig at a company, and stayed there for 30 or 40 years. When the time came to punch out for the last time, they could look forward to a defined-benefit pension, along with the government payments.

Today, the working world is different. Companies offer contract work more frequently and when a full-time position is available, the benefits can vary significantly. Defined-contribution pensions are more common, which shifts the risk to the employee as the payouts at retirement are determined by the performance of the funds, rather than guaranteed by the company.

In addition, many people prefer to work on contract, or switch careers more frequently. The flexibility can result in a better work/life balance, but it often means shouldering more responsibility for retirement planning.

One way to build a self-directed retirement fund is to own dividend-growth stocks inside a TFSA or RRSP and use the distributions to buy more shares. Over time, the compounding process can grow the initial investments into a nice nest egg.

Let's take a look at two stocks that might be interesting picks to start a retirement portfolio.

TD Bank (TSX:TD)(NYSE:TD)

TD is a giant in the North American banking industry. The company is number one or number two in most categories in Canada and is a top 10 bank in the United States.

TD earned more than $12 billion in adjusted profits last year, and management expects steadyearnings growth to continue. The company raised the dividend by nearly 12% in 2018 and hasincreased the payout by an average of 11% per year over the past two decades.

The current dividend provides a yield of 3.6%.

A $10,000 investment in TD just 20 years ago would be worth about $90,000 today with the dividends reinvested.

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

CN is a leader in the North American rail industry with 19,500 route miles of track connecting three coasts. The company handled more than $250 billion in goods in 2018, moving six million carloads of raw materials and finished products.

Management continues to invest in the necessary upgrades and new equipment to stay competitive, while returning profits to shareholders through dividend increases and share buybacks.

CN just raised the dividend by 18% and plans to buy back up to 22 million shares in the next 12 months.

A $10,000 investment in CN two decades ago would be worth more than $200,000 today with the dividends reinvested.

The bottom line

TD and CN are industry leaders with strong histories of earnings and dividend growth. There is no guarantee the next 20 years will produce the same returns, but both stocks should be solid buy-and-hold picks to launch a self-directed retirement portfolio.

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