



Top Pick Tuesday: Time to Buy Toronto-Dominion Bank (TSX:TD) or Suncor Energy Inc. (TSX:SU) for Your TFSA?

Description

Canadians are using their Tax-Free Savings Accounts (TFSA) to hold shares of top Canadian [dividend](#) stocks.

The strategy makes sense for young investors who prefer to stockpile their RRSP contribution room for later in their careers when they will be in a higher tax bracket. The TFSA is also attractive for retirees and other income investors who want to pocket the full value of the distributions paid by the companies they own.

Let's take a look at **Toronto Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) to see if one might be a better pick for your TFSA [portfolio](#) today.

TD

TD's share price is up more than 15% since late December, and additional gains should be on the way.

The company has invested billions of dollars over the past 14 years to acquire a number of U.S. banks, primarily operating on the east coast of the country, running from Maine right down to Florida. Management has indicated the bank finally has the scale it needs to compete in the United States and is focused on driving efficiencies across the division. TD's U.S. retail banking operation is currently one of the top 10 banks in the country. The company is also a partner in the TD Ameritrade brokerage business.

The U.S. business has benefited from tax cuts and rising interest rates and now contributes about a third of TD's overall profits. This makes the stock attractive for investors who want U.S. exposure through a top Canadian company.

The bank has a strong track record of dividend increases, and that trend should continue in line with earnings-per-share growth, which is targeted at 7-10% over the medium term. The existing payout

provides a yield of 3.5%.

Suncor

Suncor just raised its dividend by close to 17% for 2019. That might come as a surprise, given all the negative news surrounding the Canadian oil industry, but Suncor has a rather unique business model that allows it to generate strong cash flow through difficult times.

The integrated business structure includes refining and marketing operations. When oil prices drop, the input costs for the downstream business also decrease, and that can result in higher margins on the finished goods. Suncor also has a solid balance sheet, which gives it the financial clout to make strategic acquisitions when the industry is struggling.

Production is increasing at two major projects that went into operation in the past year, and the recent rebound in oil prices could extend through the end of 2019.

At the time of writing, the stock still appears cheap and offers a dividend yield of 3.7%.

Is one more attractive?

TD and Suncor are leaders in their industries and should be solid buy-and-hold picks for a dividend-focused TFSA. If you want the more conservative pick, TD might be the way to go right now, although Suncor potentially offers better upside potential over the medium term.

I would probably split a new investment between the two stocks. Other top picks are also worth considering today.

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2. NYSE:TD (The Toronto-Dominion Bank)
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