



Which Are the Best Stocks to Buy for Your TFSA?

Description

Canada's [Tax-Free Savings Account](#), known as TFSA, is a great vehicle to grow your investments. Under this scheme, you can invest and earn capital gains and dividends without worrying about the taxman.

Once you've decided to make use of this saving instrument, the next big challenge is to find the best stocks that you can buy and hold in your TFSA. If you are facing this dilemma, I have a simple solution for you: buy stocks that offer regular income.

Once you buy solid dividend stocks, you get growing income from these companies after every three months. The trick is you re-invest these dividends to buy more of the shares so that you could unlock the powerful impact of compounding.

This strategy, however, only suits long-term investors because dividend investing takes time to see the benefit of compounding interest. If you're planning to invest for your retirement, then this approach is perfectly fine. Start early and remain invested for 20 or more. To explain this concept better, below is an example of the two dividends stocks that I believe are the best stocks for this investing style.

BCE and TD

BCE Inc. ([TSX:BCE](#))([NYSE:BCE](#)), Canada's largest telecom operator, has been an excellent stock for income investors due to stability in its earnings and the company's commitment to return a major portion of its income back to investors.

Its \$0.79 a share quarterly dividend has more than doubled in the past 10 years, and there is a strong possibility that the company will continue to reward its investors. If you will buy BCE shares now, you'll get an annual dividend yield of 5.44%, a much better return when compared to GICs and return offered by your bank saving account.

Just like BCE, Canada's second-largest lender, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is another example of a dividend stock to hold in your TFSA. This lender distributes between 40-50% of its income each year in dividends.

The lender raised the quarterly dividend by 10% to \$0.74 for 2019 — a raise that's in line with TD's compound annual dividend growth rate of more than 10% per year for the past two decades. With an annual dividend yield of 3.95%, [TD stock is a perfect candidate](#) for your TFSA dollars.

Bottom line

If you're planning to save for your retirement, TFSA offers one of the best ways to slowly grow your savings. Through this account, you can buy dividend stocks, such as BCE and TD, and take advantage of their generous payout policies. Getting dividends and re-investing them back into your portfolio will have a multiplier effect and help you grow your savings quickly.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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Author

hanwar

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