



## Attention New Investors: 2 TSX Index Giants to Start a TFSA Retirement Portfolio

### Description

Young Canadians are searching for ways to build a substantial fund to support a comfortable lifestyle in retirement.

One popular strategy involves buying the stocks of top Canadian dividend payers inside a self-directed [TFSA](#) and using the distributions to acquire additional shares. This sets off a powerful compounding process that can turn a modest initial investment into a sizable nest egg over time.

Let's take a look at two top Canadian companies that might be interesting picks to get you started.

### Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#))

Royal Bank is a giant in the Canadian financial industry with a market capitalization of nearly \$150 billion. The business is very profitable, generating an average of more than \$1 billion in earnings per month in fiscal 2018.

Management knows the financial sector is changing with IT and social media companies getting into the banking game. This poses a potential long-term threat for the traditional brick-and-mortar financial institutions, and that is why Royal Bank is investing heavily in digital technology to ensure it remains competitive. Customer use of its digital platforms is already growing, and the bank has the financial firepower to make the necessary additional investments or acquisitions to keep it relevant.

The entire sector had a tough fiscal Q1 2019, and it will be interesting to see how the Q2 numbers roll out. That said, Royal Bank is still targeting medium-term earnings growth of at least 7%, and investors should see ongoing dividend increase in line with rising profits.

The stock trades at a reasonable 12 times trailing earnings and provides a 4% dividend [yield](#).

### Suncor ([TSX:SU](#))([NYSE:SU](#))

Suncor isn't widely viewed as a go-to name for a dividend portfolio, but the company is actually a dividend-growth star in the TSX Index. In fact, management has raised the payout for 17 consecutive years.

When margins and profits surge, investors get a big reward, as we just saw with the recent 17% increase in the quarterly distribution to \$0.42 per share.

The company has strong balance sheet and uses its advantageous financial position to acquire struggling and strategic assets when the energy sector hits a rough patch. In addition, two major development projects are now complete and those assets in combination with purchases made in recent years, should drive solid production growth for decades.

Suncor's other businesses include large refineries and retail operations. The integrated nature of the company means it can perform well even when oil prices are going through periods of volatility.

The stock is down from the 2018 high, presenting investors with an opportunity to pick up the shares at an attractive price. In the meantime, you get paid a nice 3.3% dividend yield to wait for the next rally.

## The bottom line

Royal Bank and Suncor are industry leaders with strong businesses that should continue to grow for decades. If you are looking for top companies to be anchor positions in your TFSA retirement fund, these stocks deserve to be on your radar.

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1. Editor's Choice

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SU (Suncor Energy Inc.)

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