TFSA Investors: 2 All-Star Dividend Stocks to Launch Your Retirement Portfolio

Description

Young Canadians are using self-directed TFSAs to build a portfolio of dividend stocks to help meet retirement goals.

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The strategy makes sense, as the TFSA protects all income and capital gains from the tax authorities, allowing the full value of distributions to be invested in new shares while giving investors the benefit of pocketing any profits when the stocks are finally sold.

Which stocks should you buy?

Sifting through the multitude of stocks available to purchase can be a time-consuming and stressful process. In addition, hovering over the portfolio on a daily basis might not be the best use of your time.

With this in mind, let's take a look at two stocks that might be interesting buy-and-forget picks for a TFSA retirement portfolio today.

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

CN is trading for close to $120 per share, an all-time high. Investors who bought the stock just before the holidays at the end of December are already sitting on a 20% gain, and those who bought five years ago have doubled their money.

The company plays a key role in the operation of the Canadian and U.S. economies, transporting everything from coal, cars, and crude oil, to lumber, grain, fertilizer and finished goods. CN's unique rail network that connects to three coasts provides the company with an important competitive advantage, and ongoing investments in new locomotives, rail lines, and infrastructure upgrades should ensure the business runs efficiently and keeps up with growing demand for its services.

CN raised the dividend by 18% for 2019 and has a compound average dividend growth rate of about 16% over the past 20 years. The company also returns cash to investors through an aggressive share buyback program.

Some long-term holders of CN shares have become quite wealthy. A $10,000 investment in CN shares just 20 years ago would be worth more than $250,000 today with the dividends reinvested.

Fortis (TSX:FTS) (NYSE:FTS)

Fortis started out as a tiny power company in eastern Canada, but has grown to become one of North America's top 15 utilities with more than $50 billion in assets in Canada, the United States, and the Caribbean.

Acquisitions have fuelled the largest part of the growth, including two major deals in the United States in recent years. Additional purchases could be on the way, but the company is currently focused on implementing its $17.3 billion capital program that should significantly boost the rate base over the next five years.

As a result, cash flow is expected to improve enough to support annual dividend increases of about 6% over that tim eframe. Fortis has raised the dividend every year for more than four decades, so the guidance should be reliable.

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The current payout provides a yield of 3.5%. A $10,000 investment in Fortis 20 years ago would be worth more than $100,000 today with the dividends reinvested.

The bottom line

CN and Fortis are proven dividend-growth stocks that should continue to deliver strong returns. If you are looking for two buy-and-hold picks to start a TFSA retirement portfolio, these companies deserve to be on your radar.

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