3 Top Dividend Stocks to Set Up Your TFSA Retirement Fund

Description

Canadian investors are using their self-directed TFSAs to hold top dividend stocks as part of their retirement-planning program.

The strategy is a popular one, as all the distributions can be used to buy new shares and any capital gains that accrue over the years are 100% yours to keep when the time comes to cash out and spend the money.

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

Fortis (TSX:FTS)(NYSE:FTS)

Fortis has increased its dividend in each of the past 45 years and all indications suggest the strong track record is set to continue. The company has a $17.3 billion capital program in place for the next five years, which should increase the rate base and boost cash flow to support annual dividend hikes of at least 6% over that timeframe.

The current payout provides a yield of 3.7%.

Bank of Montreal (TSX:BMO)(NYSE:BMO)

Bank of Montreal paid out its first dividend in 1829 and investors have received a piece of the profits every year since. As Canada's fourth-largest bank, it normally doesn't get as much attention as its bigger peers, but that might begin to change. Bank of Montreal has a strong U.S. division that provides a nice revenue balance to the Canadian operations and the company has a lower relative exposure to the Canadian residential housing market than some of the other financial institutions.

At the time of writing, the stock trades for a reasonable 11.3 times trailing earnings and offers a 3.9% yield.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

Energy stocks are somewhat out of favour these days and investors would be wise to avoid the ones with balance sheets loaded with debt. However, there are a few players in the sector that are financially sound and offer good prospects for long-term growth.

CNRL arguably owns the best resource base in the country with assets spread out across the full spectrum of the energy space, including oil sands, conventional oil, natural gas, and gas liquids, as well as offshore oil holdings. Management does a good job of shifting capital to the best return opportunities and the company is a cash flow machine when commodity prices are moving higher. The board raised the dividend by more than 20% last year and a similar hike could be on the way in 2019.

The existing distribution provides a yield of 4%.

The bottom line

Fortis, Bank of Montreal, and Canadian Natural Resources might not be obvious picks, but all three are solid companies with growing dividends that should continue to increase for years. An equal investment in each of the stocks would provide exposure across a diverse industry base and serve as a good starting point for a dividend-focused TFSA.

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