2 Core Growth Stocks for Your TFSA

Description

Whenever you are investing, you ideally want to find a stock that provides the opportunity for capital appreciation as well as excellent dividends. This is doubly true in your TFSA, as the income from dividends as well as realized capital gains will be retained tax-free within the account. If you are investing with a long-term time horizon, such as saving for retirement, the accumulated income and capital growth can be substantial.

Thus, if you're a dividend-focused investor, it's essential that you choose stocks with the potential for capital and dividend appreciation. These three stocks are essential holdings for long-term wealth accumulation within your tax-free savings account.

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR)

This company should be a core holding for every Canadian dividend growth investor. The parent of well-known brands such as Tim Hortons, Burger King, and Popeyes Louisiana chicken is still in growth mode. This company is not afraid to make big acquisitions and capitalize on their brand strength. It also provides a variety of services in each brand in order to reach multiple segments of the international populations. Currently, the company is working on expanding its Tim Hortons' franchise into China, which may prove very lucrative for QSR.

Since its inception in 2014, QSR's share price has doubled, leaving original investors with healthy capital gains. Its dividend has also appreciated significantly over that time. In February, QSR increased the dividend payout by 11.1% over the previous year, leaving investors with a current yield of 2.73% at the current price and exchange rate. That dividend is paid in U.S. dollars, meaning that the weak Canadian dollar gives you a bit of an income boost.

The biggest risk to this stock is its debt. At the moment, the company has amassed a large amount of debt, around US$12 billion, through its credit facilities and long-term notes. The good news is that most of this debt is not due for another five years or more and is locked in at rates ranging from 4.25-5%.

Toronto Dominion Bank (TSX:TD)(NYSE:TD)

You can't get a whole lot better in terms of capital appreciation and dividend growth than a Canadian bank. These business juggernauts have given investors excellent returns for decades. TD Bank, in particular, has been a great performer. It got into the United States early, whereas other Canadian banks have only recently been making inroads into that market. As of the first quarter of 2019, net income from the United States increased by 30% as compared to the first quarter of 2018. Growth is expected to continue as TD continues to tap the U.S. for growth.

Over the years, TD's dividend has delivered excellent returns to investors. The yield is currently sitting at just under 4% at the current share price. The yield has grown at a steady clip, and the February 2019 increase of 10.4% is no exception.

The biggest near-term risk to the bank is a potential recession. A recession may be accompanied by a fall in housing prices in major centres and a decrease in lending. This would most likely affect its earnings and the share price would also suffer, but the long-term wealth-building power of this name will probably remain intact.

Core holdings for the TFSA

The growth profiles of these stocks make them excellent candidates for TFSA investors. Imagine locking in those double-digit dividend increases as you see your capital appreciate over time. In the future, when you sell your stocks or withdraw the income tax-free, you will appreciate the fact that you held these Canadian giants over the years.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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