5 Dividend Stocks to Start a TFSA Retirement Portfolio

Description

Young investors are searching for ways to set aside enough cash to ensure they live comfortably in retirement.

One popular strategy involves owning quality dividend stocks inside a self-directed TFSA and using the distributions to buy new share. Over time, the power of compounding interest can turn small incremental investments into a substantial retirement fund.

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

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

Bank of Montreal paid its first dividend in 1829 and has since given investors a share of the profits every year. This is an impressive track record and there is no reason to believe the streak will be broken.

The bank has a balanced revenue stream coming from personal and commercial banking, capital markets, and wealth management activities. The U.S. division includes more than 500 branches and provides a nice hedge against a downturn in Canada. On the Canadian housing front, Bank of Montreal has less relative exposure than some of its peers.

The current dividend yields 3.9%.

Fortis (TSX:FTS)(NYSE:FTS)

When it comes to dividend growth, Fortis is a star. The board has raised the payout for 45 consecutive years, a trend that is set to continue.

The integration of two major U.S. acquisitions in the past few years has gone well, and Fortis is now working through a five-year $17.3 billion capital program that should increase the rate base significantly and support ongoing cash flow growth and dividend increases.

The existing distribution provides a yield of 3.6%.

Suncor Energy (TSX:SU)(NYSE:SU)

Suncor is Canada's largest integrated energy company with oil sands and offshore oil production, refining, and retail businesses. The diversified asset mix enables Suncor to generate steady cash flow even when oil prices hit a rough patch. The company has a strong balance sheet and uses it to add strategic assets during difficult times in the sector. Suncor also grows through large organic developments, including the recently completed Fort Hills and Hebron projects.

The board just raised the dividend by almost 17% for 2019 and hiked the share buyback program from $2.1 billion to $3 billion.

At the time of writing, the stock trades at a reasonable price and provides a dividend yield of 3.3%.

BCE (TSX:BCE)(NYSE:BCE)

BCE is a slow-growth story, but the company has a wide moat, is a leader in the industry, and continues to generate enough free cash flow to support the generous dividend.

BCE is investing heavily to protect its business through the rollout of its fibre-to-the-premises initiative. In addition, recent acquisitions that include Manitoba Telecom Services and AlarmForce have expanded the client base and provide BCE with additional products and services to bundle with its mobile, internet, and TV offerings.

Investors who buy today can pick up a yield of 5.3%.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge is North America's largest energy infrastructure company, with assets that transport a significant part of Canadian and U.S. oil production.

Management has already found buyers for about $8 billion of $10 billion in non-core assets identified under a strategic review, and has made good progress in efforts to streamline the company. Enbridge purchased the outstanding shares of four subsidiaries last year.

The stock has recovered off the 2018 low, but still has attractive upside potential. The dividend increased 10% for 2019 and a similar hike is expected next year. The current payout provides a yield of 6%.

The bottom line

An equal investment in all five stocks would provide investors with a steady stream of dividends while offering exposure across a number of sectors. If you're searching for anchor stocks for a TFSA retirement portfolio, these companies deserve to be on your radar.

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