



## 2 Oversold TSX Index Stocks for Your TFSA Retirement Fund

### Description

Canadians are using their self-directed TFSAs to build a [portfolio](#) of stocks to help meet financial goals for their retirement years.

In the past, the RRSP was the favoured method for achieving these savings objectives, and that remains the case for many people, especially those that have large incomes. RRSP contributions can be used to reduce taxable income today and the annual limit can be significantly higher than the \$6,000 that is currently allowed annually for the TFSA.

That said, high-income investors who have topped out their RRSP and savers who are in the early part of their careers are able to take advantage of the TFSA's unique benefits. All income and capital gains earned inside a TFSA are yours to keep, which is different from the RRSP in that the funds are taxed as income when withdrawn.

Which stocks should you buy?

Owning dividend stocks that have strong track records of raising the payout is a popular strategy. When dividends are invested back into new shares, investors can tap a powerful compounding process. Ideally, the best time to buy these stocks is during periods when they are out of favour. The yield is higher and the cost of buying additional shares is at a more attractive level.

Let's take a look at two top Canadian dividend stocks that might be interesting picks right now.

### Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#))

Bank of Nova Scotia is Canada's third-largest bank with a market capitalization of close to \$90 billion. The company has spent the past several years building a large business in Latin America, investing billions of dollars to acquire assets in Mexico, Peru, Chile, and Colombia.

The international operations are performing well and should drive strong growth in the coming decades as middle-class incomes increase in the region and people seek out loans and investment products.

Bank of Nova Scotia currently trades for 10.9 times trailing 12-month earnings, which appears cheap when you look at the quality of the company's earnings and the long-term potential. The stock is up about 9% from the December 2018 low but is still well off the \$84 mark it hit in 2017.

Investors who buy Bank of Nova Scotia today can pick up a 4.7% [yield](#) and wait for market sentiment to improve.

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

Suncor's market capitalization of \$70 billion makes it a giant in the Canadian energy sector. Many oil producers took a beating during the 2014-2016 crash and haven't recovered. In fact, some of the companies that enjoyed rock-star status when WTI oil traded at US\$100 per barrel have lost 90% of their value and continue to battle with damaged balance sheets loaded with debt.

Suncor, however, currently trades for pretty much the same price it did in the summer of 2014, even though WTI oil now sells for just US\$64 per barrel.

What's the scoop?

Suncor used its war chest of cash to buy assets at a discount during the downturn. The company also continued to work on two major development projects that are now contributing to production growth. In addition, Suncor's downstream assets helped mitigate lower margins on the production side of the company when oil prices fell.

Suncor raised its dividend by nearly 17% for 2019 and investors should see steady increases continue in the coming years. The existing payout provides a yield of 3.2%.

Oil prices are up 50% since late 2018 and analysts remain bullish, with some suggesting a WTI target of US\$70 per barrel before the end of the year. Suncor traded as high as \$55 per share last summer, so investors could see some nice upside in the medium term.

## The bottom line

Bank of Nova Scotia and Suncor appear attractively priced today and should be solid buy-and-hold picks for a TFSA retirement portfolio.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

### POST TAG

1. Editor's Choice

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1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:SU (Suncor Energy Inc.)

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