Banking On an Early Retirement: 2 Top Dividends Stocks to Add to Your TFSA Pension Fund Right Now

Description

Canadian savers are constantly searching for top stocks to add to their self-directed TFSA portfolios.

Some people use the TFSA to create tax-free income, while others take advantage of the vehicle to build portfolios for retirement. This makes sense for investors who wish to save their RRSP contribution room for later in their careers when earnings might be higher or if they have already maxed out their RRSP space.

Let's take a look at two stocks that might be interesting picks right now for your self-directed fund.

Telus

Telus (TSX:T)(NYSE:TU) has a strong track record of rewarding investors with rising dividends, and that trend is expected to continue.

The company is adding new TV, internet, and mobile customers at steady rate. The growth comes from heavy investment in the wireless and wireline network infrastructure to ensure the company remains competitive as demand rises for more broadband at faster speeds.

Telus also does a good job of keeping customers once they have signed up for a service. The company regularly reports the industry's lowest post-paid mobile churn rate. This is important, as it is expensive to win new clients in the telecom sector.

Net income for Q1 2019 rose 6.1% compared to the same period last year. The company just raised the dividend and anticipates boosting the payout by 7-10% per year through 2022. The current distribution provides a yield of 4.5%.

One thing to note is the Telus Health division. The group is a leader in the Canadian segment for providing digital health solutions to doctors, hospitals, and insurance companies. Disruption is occurring in the health industry, and investors could see the segment contribute significant revenue and earnings in the future.

Toronto-Dominion Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is one of Canada's best dividend-growth stocks. The board has raised the payout by a compound annual rate of about 11% over the past 20 years. The existing distribution provides a yield of 3.9%.

TD is outperforming some of its peers, and that trend could continue. The company reported solid fiscal Q2 2019 results at a time when the Canadian banking sector is facing some headwinds. Personal debt levels are high in the country, and a jump in unemployment or a steep rise in mortgage rates could put pressure on the banks.

TD is well capitalized and can weather a downturn. In addition, the bank has a good hedge through its U.S. operations. The American business has grown significantly over the past 15 years and is now one of the top-10 banks in the United States. In the event the Canadian economy hits a rough patch, the U.S. division should help offset some of the pain.

For the moment, Canada remains in good shape and mortgage rates are falling, so TD should continue to deliver solid results in line with its guidance. The company expects to deliver earnings-per-share growth of 7-10% over the medium term. TD generates profits of about $1 billion per month.

The bottom line

Telus and TD are leaders in their respective industries and should continue to be solid buy-and-hold picks for a dividend-focused TFSA. At this point, I would probably split a new investment between the two stocks.

Other top names in the TSX Index are also worth considering today.

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

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Date
2025/08/20
Date Created
2019/06/14
Author
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