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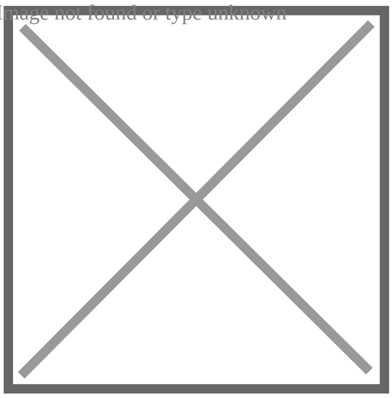

2 Dividend Heavyweights to Add to Your TFSA Freedom Fund

Description

I'm following a very specific strategy in my TFSA.

I'm looking to load up the account with a selection of dividend-growth studs, consisting of the best companies Canada has to offer. Any dividends generated just get reinvested into more shares, as do any new contributions. If a company slashes its dividend, it's immediately punted from the portfolio.

It really is that simple. And since I'm still relatively young, I'm certain I'll amass more than $1 million in the account by the time I'm ready to retire. That should be enough for a nice retirement right there.

The only thing left for me to do is choose which companies I want to own over the long term. Here are two I've bought recently.

TD Bank

My portfolio is stuffed with Canadian banking stocks. You won't find many better investment opportunities today.

A more recent addition to my portfolio is **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), Canada's second-largest bank by assets. Probably the biggest reason why I bought shares is because TD does such a good job executing. The company is growing every part of its Canadian business, taking everything from mortgage business to new credit card signups from its competition. TD's wealth management division is also top notch, and I like its insurance arm as well.

And then there are the U.S. assets, where the real growth is. The American banking sector is incredibly fragmented. TD is in a great position to reinvest Canadian profits to expand that part of its business. But remember, these U.S. earnings are already a major part of the business. 2018's total profit was $11.3 billion, while earnings from its U.S. operations came to $4.2 billion.

TD trades at a little higher earnings multiple than its peers; that number currently checks in at 12.2 times trailing earnings. Its dividend yield is a little under 4%, too. But investors can expect to pay up for quality, and it's not like a stock at 12 times earnings is expensive. Besides, TD has a wonderful history of hiking its dividend, including a 10.4% increase already in 2019.

Telus

If TD Bank is Canada's finest financial institution, then it's only natural to own Canada's finest telecom. There's no doubt in my mind **Telus** (TSX:T)(NYSE:TU) deserves that crown.

Although Telus is smaller than its rivals when measured by market cap, the company wins on growth, value, and quality of its business. I also like that Telus is a pure-play telecom not weighed down by a media division. It's easy to make the argument that television stations might not be a great thing to own in 2019.

Like TD, Telus also does a great job on execution. The company ensures a good growth rate by both acquiring new customers and giving front-line sales reps the tools needed to retain current clients. This ensures Telus has the best churn rate in the whole industry, regularly checking in under 1%.

Telus shares trade hands at 18 times trailing earnings, which is about average for the sector. It's a decent price to pay for such a fine company. The stock trades at a forward P/E ratio of 16.3.

And finally, let's talk about Telus's excellent dividend. The stock offers a terrific combination of current yield today — shares pay a 4.5% distribution — as well as one of the best dividend-growth records on the Toronto Stock Exchange. Telus has hiked its dividend each year since 2010 and has told investors they can expect an annual raise between 7-10% through 2022.

The bottom line

The secret to a prosperous retirement is simple. All you need to do is max out your contributions each year and invest in great stocks like Telus and Toronto-Dominion Bank. Then just let compounding do its work. Your future self will thank you.

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