TFSA Investors: 2 Top Canadian Dividend Stocks to Start a Retirement Fund

Description

One proven strategy is that of buying and holding top dividend stocks as a key part of people's retirement plans. If you do so in your TFSA, you can build your retirement fund much faster without the hindrance of taxes. The income and capital gains you earn will be yours to keep in their entirety!

Here are two stocks that may be interesting picks to start your retirement portfolio. As they pay out monthly dividends, investors can compound for higher returns at a faster rate!

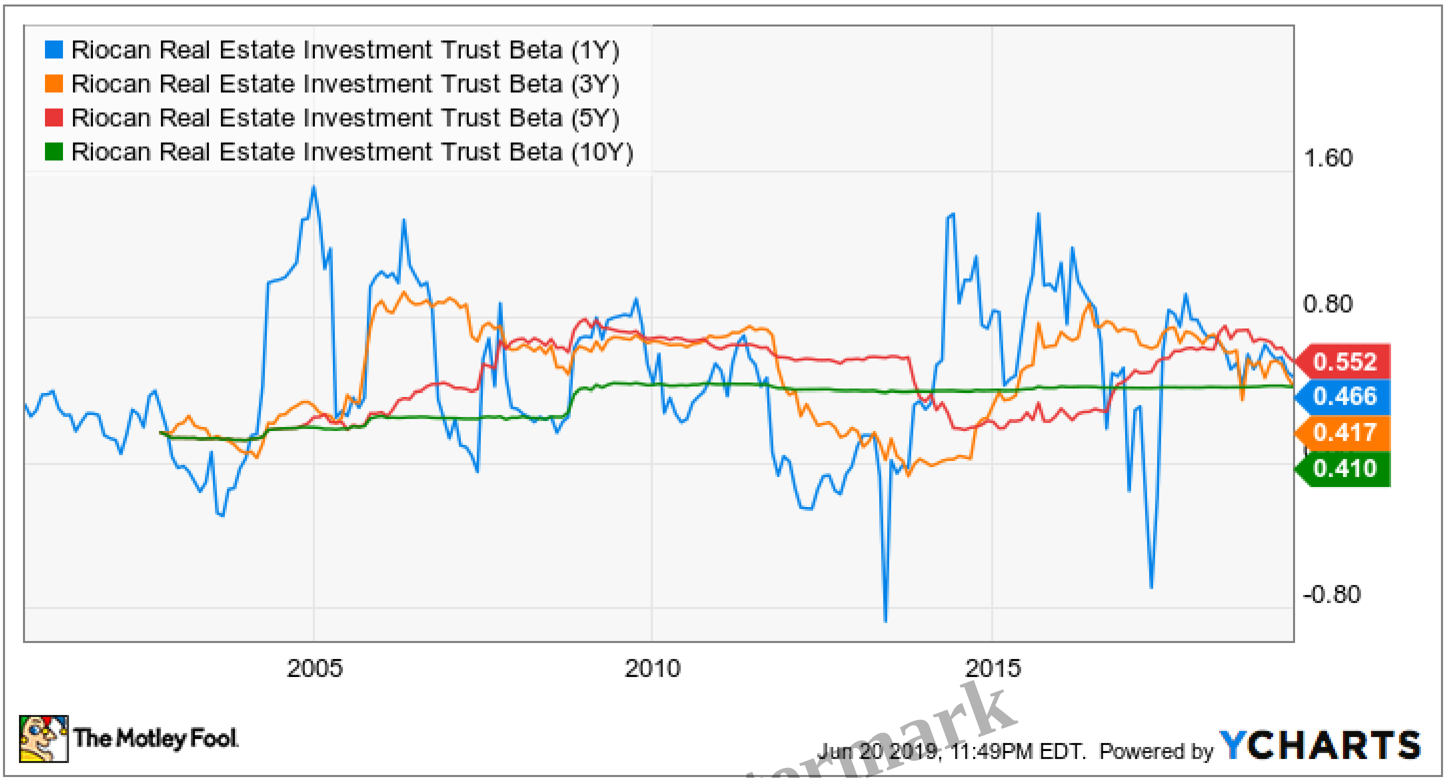
RioCan REIT

RioCan REIT (TSX:REI.UN) is one of the largest real estate investment trusts in Canada, with an enterprise value of about $14.1 billion and maintains an investment grade S&P credit rating of BBB.

RioCan is focused on retail properties, with growth potential from rent increases and developing mixed-use properties in key markets. Its portfolio consists of 38.3 million square feet of net leasable area across 230 properties.

What characterizes RioCan as a high-quality REIT is that it predominantly generates its revenues from the six major Canadian markets: 47.6% from Toronto, 13% from Ottawa, 10.4% from Calgary, 5.6% from Edmonton, 5.5% from Vancouver, and 5.4% from Montreal. This results in a high occupancy rate of about 97% that leads to stable cash flow generation.

RioCan stock should have strong support from retirement funds because it is below-average volatile; as shown in the following graph, it's only about half as volatile as the market.



REI.UN Beta (1Y) data by YCharts. RioCan stock is below-average volatile.

More important, the REIT has maintained or increased its cash distribution for at least 18 years straight. In this period, its payout ratio has improved from about 96% to 78%, so its cash distribution is as safe as ever!

Currently, RioCan offers a safe yield of 5.4%. Year to date, the stock has run up 12%. It would therefore be more prudent to look for a dip of 5-10% before buying.

Inter Pipeline

Inter Pipeline (TSX:IPL) transports, processes, and stores energy products primarily in western Canada. Specifically, its business consists of four parts: oil sands transportation, natural gas liquids processing, conventional oil pipelines, and bulk liquid storage. It also maintains an investment grade S&P credit rating of BBB+.

In the first quarter, the company experienced lower volumes at its pipelines and processing facilities, which led to funds from operations per share falling 22% year over year. This, combined with Inter Pipeline's large multi-year investment in the Heartland Petrochemical Complex, has weighed down the stock. Inter Pipeline is investing $3.5 billion in Heartland, which is expected to complete in late 2021.

The depressed stock is good news for retirement accounts because it now yields 8.4%, a much greater yield than its five-year average of 5.9%. Inter Pipeline pays a safe dividend that's backed by a stable growing dividend and a payout ratio of about 71% this year, which aligns with its decade's long payout ratio range.

Should the Heartland project turn out to be a success, the stock can appreciate significantly — about

50% upside! Meanwhile, retirement accounts can lock in that amazing 8.4% yield today.

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