



Should You Buy Royal Bank of Canada (TSX:RY) or BCE (TSX:BCE) Stock for a TFSA Retirement Portfolio?

Description

Canadian investors are taking advantage of the Tax-Free Savings Account (TFSA) to build nest eggs for their retirement.

One popular strategy involves owning quality dividend stocks inside a self-directed TFSA and using the distributions to buy more shares. This launches a powerful compounding process that can help turn small initial contributions to the TFSA into large pools of cash to support a comfortable life in the golden years.

Let's look at two top Canadian dividend stocks that might be interesting picks for your [retirement portfolio](#) right now.

Royal Bank

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is the country's largest company with a market capitalization of \$150 billion. Given the saturated nature of the Canadian banking market, you might think growth would be hard to find, but Royal Bank is targeting average annual earnings-per-share increases of 7-10% over the medium term.

Part of the success comes from its balanced revenue stream. Royal Bank has strong operations in a number of segments, including personal and commercial banking, wealth management, capital markets, and insurance. The company also invested US\$5 billion in the United States in 2015 to acquire City National. The private and commercial bank gives Royal Bank a good platform to expand its presence in the sector.

Royal Bank has a strong track record of dividend growth. The current payout provides a yield of 3.9% and the stock trades at a reasonable 12 times trailing earnings.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company with wireless and wireline network assets that provide mobile, TV, and internet services to households and businesses across the country.

The company has the financial firepower to invest the billions of dollars needed to stay competitive and ensure its customers get the high-speed broadband they desire. BCE is expanding its moat through a fibre-to-the-premises initiative and continues to add products and services to drive additional revenue.

The company generates solid free cash flow and pays a generous dividend. The existing payout provides a [yield](#) of 5.3%.

Is one a better bet?

Royal Bank and BCE are both leaders in their industries and should be solid buy-and-hold picks for a TFSA retirement fund. If you only buy one, Royal Bank likely offers better earnings and stronger dividend growth over the medium term, so I would probably make the bank the first choice right now.

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