TFSA Investors: 2 Special Stocks to Boost Retirement Wealth and Income

Description

Canadian savers are taking advantage of the Tax-Free Savings Account to grow their nest eggs and increase retirement income.

Young savers can use a self-directed TFSA to hold quality dividend stocks and allocate the distributions to acquire new shares. The strategy taps the power of compounding and can help build a substantial retirement portfolio over the course of two or three decades.

When the day to enjoy the fruits of the savings discipline arrives, the distributions can be spent as part of the total pension income stream. Any cash pulled from the TFSA is fully tax-free and isn't used when the CRA calculates retirement income for determining OAS payments.

Let's take a look at two stocks that might be interesting picks for a TFSA retirement fund targeted at working Canadians as well as those already in retirement.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is Canada's most international bank and has decided to bet big on long-term opportunities in Latin America.

This might seem strange for a Canadian bank whose home market has little similarity with Mexico, Colombia, Peru, and Chile. These are the countries in which Bank of Nova Scotia is spending billions of dollars on acquisitions to grow the business.

Part of the reason lies in the extensive operations Canadian companies have in these markets, especially in the mining and energy sectors. Banks often follow their customers.

In addition, the four countries are members of the Pacific Alliance trade bloc set up to promote the free movement of goods, capital, and workers among the four markets that are home to more than 230 million people.

Bank of Nova Scotia is already seeing positive results in the region, with international operations providing about 30% of total profits.

The bank has a strong track record of dividend growth and the stock provides a yield of 4.9%.

Bargain hunters have started to move into the stock after the recent pullback, and more upside should be on the way. Bank of Nova Scotia trades at just $70 per share at writing compared to $82 early last year.

BCE

BCE (TSX:BCE)(NYSE:BCE) has a reputation for being a top pick for retirees seeking reliable dividends. That story hasn't changed much, and despite the slow growth, the stock still has a place in a diversified dividend portfolio.

The company enjoys a strong competitive advantage due to its size and the reach of its wireless and wireline network infrastructure.

BCE's media business also provides a steady stream of content to sell to customers who like bundling their mobile, internet, and TV services in one package.

BCE can raise prices when it needs additional cash and generates sufficient free cash flow to support steady dividend hikes. The current payout provides a yield of 5.3%.

The bottom line

While Bank of Nova Scotia and BCE might not be the most exciting companies in the market, they pay above-average dividends that should continue to grow, and thus deserve to be in a balanced buy-and-hold dividend portfolio.

Bank of Nova Scotia appears oversold and should deliver some nice upside when sentiment improves, while BCE remains attractive as a high-yield pick that won't keep you up at night.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/02
Date Created
2019/07/28
Author
aswalker