



5 Top Stocks for New TFSA Investors

Description

The TFSA is a great tool to help Canadian investors meet their retirement goals.

One popular strategy for harnessing the power of the TFSA is to buy quality dividend stocks and use the distributions to acquire additional shares. This launches a powerful compounding process that can turn modest initial investments into a significant fund down the road.

Let's take a look at five stocks that might be interesting picks to get your [TFSA](#) retirement portfolio started.

TD

Toronto Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is a profit machine. The bank earned adjusted income of \$12 billion in fiscal 2018 and is on track to top that amount this year.

Analysts say TD's focus on retail banking activities makes it a lower-risk pick among the large Canadian banks. In addition, the U.S. division provides a nice revenue hedge against any potential downturn in Canada.

TD is one of the best [dividend growth stocks](#) in the TSX Index and investors should see the distribution increase each year in line with expected earning-per-share gains of 7-10% over the medium term. The current dividend provides a yield of 4%.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a utility company with \$50 billion in assets located across Canada, the United States, and the Caribbean.

Fortis gets most of its revenue from regulated assets, meaning cash flow should be reliable and relatively predictable. This is attractive for dividend investors who seek out stability in the distributions.

The company grows through a combination of acquisitions and internal capital developments. Fortis is spending \$18.3 billion over the next five years on projects that will significantly increase the rate base. As a result, management expects cash flow to grow enough to support annual dividend hikes of 6% through 2024.

Fortis has raised the dividend for 46 straight years. The payout provides a yield of 3.5%.

Telus

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is leading player in the Canadian communications industry with world-class wireless and wire line networks providing customers with mobile, internet, and TV services.

Telus invests the funds needed to remain competitive as customers demand more broadband at faster speeds. At the same time it does a good job of sharing profits with investors.

Telus also has a growing health division that's providing Canadian doctors, hospitals, and insurance companies with digital solutions. The health sector is ripe for disruption and Telus is leading the way in this country.

The company raises the dividend by 8-10% per year. The current distribution provides a yield of 4.6%.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the energy infrastructure industry, with pipeline networks transporting oil, natural gas, and gas liquids across Canada and throughout the United States. The company also has renewable energy power generation assets.

The current \$19 billion capital program can be fully funded through internal means and should support ongoing dividend growth of 5-7% in the next few years.

Enbridge appears cheap right now and investors can pick up a solid 6.4% yield.

Suncor

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is Canada's largest integrated energy company, with production, refining, and retail operations that provide a balanced revenue stream.

The board does a good job of using free cash flow to buy back shares as well as boost the dividends. Suncor has increased the distribution for 17 straight years, which is rare in the energy patch.

The company has a strong balance sheet that enables management to make strategic acquisitions when oil prices fall. These assets then boost production and cash flow when the market recovers.

Suncor's stock currently trades at an attractive multiple and provides a 4% dividend yield.

The bottom line

All five companies are top-quality stocks that should be solid picks to launch a diversified TFSA retirement portfolio. If you only buy one, I would probably make Enbridge the first choice today.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. NYSE:TD (The Toronto-Dominion Bank)
5. NYSE:TU (TELUS)
6. TSX:ENB (Enbridge Inc.)
7. TSX:FTS (Fortis Inc.)
8. TSX:SU (Suncor Energy Inc.)
9. TSX:T (TELUS)
10. TSX:TD (The Toronto-Dominion Bank)

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