TFSA Pension: 2 Top Dividend Stocks to Help You Retire Rich

Description

Canadian savers are taking advantage of the unique aspects of the Tax-Free Savings Account (TFSA) to build funds for retirement.

When the savings process starts early enough, the investments that are made can grow substantially, and it is possible for an average person to retire wealthy.

The secret lies in making the full contributions each year and putting the money in investments that will continue to grow. Dividend stocks that have strong track records of raising the payout each year are a good place to start.

Let's take a look at two stocks that might be interesting picks to launch a TFSA retirement fund.

Telus

Telus (TSX:T)(NYSE:TU) is a leading player in the Canadian communications industry with world-class network infrastructure supplying high-speed broadband services to TV, internet, and mobile clients across the country.

Telus doesn't have a media division, which some pundits say is a disadvantage, but the lack of sports teams and television networks hasn't hurt the company to date. In fact, not spending the billions of dollars on media assets that have a difficult time attracting advertising revenue in a digital economy might prove to be the company's benefit.

Telus has instead chosen to invest heavily in its Telus Health venture. The division is already a leader in the Canadian market for digital services used by doctors, hospitals, and insurance companies. Digital disruption in the healthcare sector is gaining momentum, and Telus stands to reap the benefits in the coming years. Telus Health could become a major revenue contributor and a high-margin business in the coming decades.

Telus raises its dividend each year by 8-10%, and that trend should continue in the medium term. The stock trades at a reasonable 16 times earnings and provides a solid 4.7% yield.

A $10,000 investment in Telus just 15 years ago would be worth more than $65,000 today with the dividends reinvested.

TC Energy

TC Energy is the new name for TransCanada. The company is a pipeline giant with an extensive network of oil and natural gas assets that run across Canada and through the United States. TC Energy is also active in Mexico and has natural gas storage facilities as well as power-generation assets.

The company grows through a combination of acquisitions and organic projects. The US$13 billion purchase of Columbia Pipeline Group in 2016 added strategic natural gas assets in the United States that position TC Energy to be a leading supplier of natural gas to liquefied natural gas (LNG) terminals.

On the development side, TC Energy has a $32 billion capital program of secured growth projects on the go that should support revenue and cash flow increases for years. The company expects cash flow will rise enough to support annual dividend hikes of 8-10% through 2021.

The current payout provides a yield of 4.4%.

A $10,000 investment in TC Energy 20 years ago would be worth more than $80,000 today with the dividends reinvested.

The bottom line

The strategy of owning quality dividend stocks and using the payouts to buy more shares is a proven one. Telus and TC Energy should continue to be attractive picks for a dividend-focused TFSA portfolio.

The TSX Index is home to many stocks that have generated similar, or even better, returns.

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