



## Canada's 3 Best TFSA Stocks for 2020

### Description

Which stocks are best positioned to power your [Tax-Free Savings Account](#) (TFSA) in 2020? If you haven't yet started to prepare your shopping list for next year, this is the right time to get started on this task.

But before we get into stock picking, it's important to understand that TFSA is a long-term saving vehicle which you use to accumulate wealth for your retirement or for your loved ones.

Keeping this objective in mind, it's best for TFSA investors to pick companies with a durable competitive advantage, strong recurring cash flows, and a clear bias to return capital to investors in the shape of dividends and share-buyback plans.

In order to help you get started, I have picked three Canadian stocks, which I find very suitable for TFSA investors. Let's take a deeper look.

### BCE Inc.

For 2020, telecom utilities should be on top of your list. I like telecom stocks because they have very simple business models that often produce very strong income flows for their investors.

What supports stability in their cash flows is that no matter what happens to the economy, we have to pay our internet and cellphone bills. These recurring cash flows allow these companies to keep hiking their payouts regularly.

In this area, I like **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), Canada's largest telecom operator. The company has a massive moat that helps it to generate strong cash flows. This leading position in the industry means that TFSA investors will continue to benefit, as the company rewards its investors with higher payouts each year.

Another reason to buy [BCE stock](#) for your 2020 is that even after a strong rally this year, its yield is still quite attractive at about 5%. Investors will be getting more than 3% premium when buying shares now when compared with the 10-year government bond, for example.

Trading at \$6382 at writing, BCE pays \$0.7926 a share quarterly dividend, which has been growing about 5% per year during the past decade.

## Royal Bank of Canada

Canadian banks have been a trusted source for earning a steadily growing stream of income. They are among the top dividend stocks in North America, benefiting from their balance sheet strength and their careful lending practices.

If you decide to add one of the best banking stocks from Canada for your TFSA, consider buying **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), Canada's largest lender and with a robust presence in the U.S.

During the past five years, its stock has gained 32%, including dividends, far outpacing the benchmark **S&P/TSX Composite Index**. Royal Bank is one of the top dividend payers that has been growing payouts regularly and there is a very strong possibility that it will raise its payout again in 2020.

Trading at \$109.16 at writing, RBC stock is a solid bet for your TFSA. The stock currently yields about 4%, paying quarterly payout of \$1.05 a share.

## RioCan

Adding a real estate stock to your TFSA portfolio is also a good idea because this is a different asset class that could help to diversify your TFSA portfolio and minimise your risks. In this space, **RioCan Real Estate Investment Trust** ([TSX:REI.UN](#)) is my top pick.

RioCan owns, manages, and develops retail-focused, mixed-use properties located in the prime markets of Canada. During the past two years, RioCan has exited from some smaller markets to focus on those areas where demand for its units is strong.

For TFSA investors, RioCan's consistent history of rewarding investors is the biggest attraction. At a time when the rates on the fixed-income investments are close to zilch, RioCan's consistently growing dividend is a great alternative.

From its debut on the TSX in 1994 to its peak value in 2015, RioCan returned a total of 2,408%, including distributions. Currently, RioCan pays a \$1.44-a-share annual distribution that translates into a 5.37% yield.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)
5. TSX:RY (Royal Bank of Canada)

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