Retire Early: 3 Dividend Stocks to Build TFSA Wealth

Description

Canadian savers are using their Tax-Free Savings Accounts (TFSAs) to create self-directed TFSA pension plans.

The strategy is becoming more attractive as the TFSA limit increases and more people find themselves working in jobs that do not offer pension benefits.

Let's take a look at three dividend stocks that might be interesting picks right now to get your TFSA retirement fund started.

Suncor

Suncor Energy (TSX:SU) (NYSE:SU) is a major player in the Canadian energy sector with oil sands and offshore oil production assets, as well as refineries, retail operations and wind farm projects.

The integrated nature of the businesses gives Suncor an advantage over its peers that are purely focused on production. The balanced revenue stream helps smooth out the hit the upstream division takes when oil prices fall, providing a hedge against volatility in commodity prices.

Suncor uses its strong balance sheet to acquire strategic assets during tough times and investors benefit when oil prices recover. The company continues to boost production as a result of the completion of its Fort Hills and Hebron developments and generates strong cash flow, even when the oil market is under pressure.

Suncor raised the dividend by more than 16% in 2019 and recently increased the size of its share buyback program. The stock appears cheap right now at $41 and investors can pick up a solid 4.1% dividend yield.

Telus

Telus (TSX:T)(NYSE:TU) is a leader in the Canadian communications industry with world-class wireless and wireline network infrastructure serving retail and business clients across the country.

Telus puts a heavy emphasis on customer satisfaction and the fruits of its efforts turn up in the numbers. Telus regularly reports the lowest post-paid mobile churn rate and enjoys solid subscriber growth across its mobile, TV, and internet divisions.

The company spends heavily on network upgrades to ensure it remains competitive and can deliver the broadband its customers require. At the same time, Telus generates adequate free cash flow to maintain its dividend-growth strategy. The board has historically raised the payout by 8-10% per year.

Investors who buy the stock today can pick up a yield of 4.67%.

One interesting part of the company is its Telus Health division. The group is targeting digital disruption in the healthcare sector and is already a leader in providing hospitals, doctors, and insurance companies with digital solutions.

Sun Life

Sun Life Financial (TSX:SLF)(NYSE:SLF) is an interesting pick for investors who want to own a financial stock other than the big banks.

The company gets the bulk of its revenue and earnings from the U.S. and Canadian insurance and wealth management operations, but Sun Life's international division holds the best opportunity for future growth.

Sun Life has established subsidiaries or partnerships in India, China, Vietnam, Malaysia, Indonesia, and the Philippines. As the middle class expands in these markets, demand for insurance and wealth management products should grow. Given the size of the population base, the next couple of decades could see the region become a much larger part of Sun Life's profit base.

A global meltdown in the equity markets would be negative for the stock, but Sun Life has removed risk from its operations since the Great Recession. Management sold off the U.S. annuities business and has focused new investment on asset management.

The stock provides a solid 3.75% dividend yield.

The bottom line

Suncor, Telus, and Sun Life are all top-quality companies that should be solid picks for a TFSA retirement fund. An equal investment in each stock would provide good exposure across three sectors.

CATEGORY

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