TFSA 101: How Investors Can Use the Market Crash to Turn $10,000 Into $165,000 for Retirement

Description

The 2020 stock market crash is scary.

In a matter of weeks, the **TSX Index** plunged more than 35%. Volatile rebounds and subsequent pullbacks continue to rock the market, and TFSA investors should expect more of the same in the coming weeks or even months.

Buying during a crash takes courage. It is impossible to know where the bottom will be, and nobody likes to start a new position in a cheap stock only to see it get much cheaper in the following days. That said, a quick look at the historical moves of the stock market in the wake of major corrections suggests the best times to buy occur when everyone else is selling.

Top stocks

The best stocks to consider for a TFSA pension fund tend to be market leaders with strong balance sheets and track records of steady dividend payments. Ideally, they also offer essential services to the economy and enjoy sustainable competitive advantages.

Let's take a look at two top Canadian dividend stocks that might be interesting picks right now for a buy-and-hold TFSA portfolio.

CN

Canadian National Railway (TSX:CNR)(NYSE:CNI) operates roughly 20,000 route miles of tracks in Canada and the United States. The network is the only one in North America that connects ports on three coasts.

As the backbone of the economy, CN transports more than $250 billion in goods every year. The business generates revenue in Canada and the United States and serves a wide swath of sectors, including intermodal, forest products, fertilizer, grain, crude oil, automotive, and consumer goods.

Analysts expect the current economic downturn to be severe, and investors should brace for rough results from CN in the next two quarters. However, the economic rebound once the coronavirus crisis passes could be robust, and CN should rebound quickly.

The stock traded at $127 in February and fell to a low near $96 in March. At the time of writing, the share price is back above $100. CN has one of the best dividend-growth rates in the TSX Index over the past two decades. The payout should be very safe and currently provides a 2% yield.

A $5,000 investment in CN just 20 years ago would be worth $110,000 today with the dividends reinvested.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry. The company has 27,500 km of active crude oil pipelines and 39,400 km of natural gas lines in Canada and the United States.

Enbridge delivers three million barrels of oil and gas liquids every day and transports 19% of all natural gas consumed in the United States.

The oil industry faces challenging times. WTI oil trades a just US$20 per barrel, and global oil demand is down 25% due to the coronavirus outbreak. The near-term pain will likely continue, and some producers will have to shut down or reduce output.

However, Enbridge gets most of its revenue from regulated or long-term contracts. It has limited direct commodity risk and simply collects a toll from oil producers who use its assets to move product to customers. The company has $11 billion in secured capital projects on the go that should support growth in distributable cash flow through 2022.

The stock appears oversold, and investors can now pick up a dividend yield of 8%.

A $5,000 investment in Enbridge 20 years ago would be worth about $55,000 today with the dividends reinvested.

The bottom line

A $10,000 investment split between CN and Enbridge just two decades ago would be worth more than $165,000 right now with dividends reinvested.

There is no guarantee the stocks will produce the same returns over the next 20 years. However, they look cheap right now and should be solid picks for a TFSA retirement fund.

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