TFSA Strategy: 2 Blue-Chip TSX Stocks to Buy

Description

Even with a recent market rally, stocks are still very attractively priced for long-term investors. In particular, those looking to form a TFSA strategy can find blue-chip TSX stocks for cheap.

Over a long investment horizon, the power of the TFSA comes to light. That is, tax savings in conjunction with compounding and dividend re-investing allow for wealth to build exponentially.

Generally, blue-chip stocks tend to offer the best total returns over big investment windows. In times like these, these stocks can be had for low P/E valuations and with high dividends on offer.

Today, we'll take a look at two top TSX stocks that can shape any TFSA strategy and build wealth over time.

Scotiabank

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is one of Canada's major banks and the third largest by market cap. It offers financial services to customers in the U.S. and Canada and also has a promising presence growing in multiple South American countries.

Like most stocks, Scotiabank has been whipped around with the market crash and subsequent rally. With volatile trading sessions a frequent occurrence, it's been common to see it move up or down a couple percentage points on any given day.

As of writing, it's trading at $52.95 and yielding 6.8%. That yield dwarfs the five-year-average of 4.33%, and its P/E ratio of 7.83 is far below the trailing figure as well.

So, it appears that Scotiabank is offering value to investors at the moment. If you believe in the strength of the third-largest bank, you can lock in a massive dividend.

In the past, Scotiabank has proven its resiliency and ability to maintain its dividend through toughtimes. Plus, the government will be backing the banks with liquidity support.

Let’s take a look at how Scotiabank can fit into a TFSA strategy. If we assume a growth rate in the share price and yield of about 3% per year, an investment of $20,000 would grow to be over $120,000 in 20 years.

Rogers

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is one of Canada’s leading telecom companies. As part of the Big Three telecom players in the country, it has a diverse range of cash flow and revenue streams.

Of course, Rogers has also been hit by the market crash. However, that just means it’s now offering value to potential investors focused on the long term.

As of writing, Rogers is trading at $56.60 and yielding 3.53%. Like Scotiabank, its P/E ratio is now far below the trailing figure.

However, unlike Scotiabank, its dividend yield is still very close to the five-year-average yield. So, investors aren’t capturing insane value in terms of the dividend.

Sentiments around Rogers should be largely positive, despite mandated price cuts, as 5G networks are set to roll out this year across Canada.

With top-notch infrastructure, Rogers will look to maintain its position as a market leader in the new era of data.

Once again, let’s see how Rogers fits into a TFSA strategy. Assuming a growth rate in the share price and yield of about 3% annually, $20,000 would turn into nearly $70,000 over 20 years.

TFSA strategy: Bottom line

Whichever way you slice it, there are quality TSX stocks available for cheap today. In particular, Scotiabank and Rogers seem to be valued cheaply compared to recent valuations.

For investors planning a TFSA strategy, these blue-chip stocks can offer great total returns over a long investment horizon.

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1. Bank Stocks
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2. NYSE:RCI (Rogers Communications Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
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