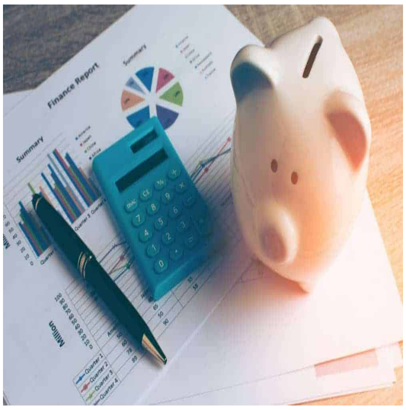

Got $2,500 to Invest in Your TFSA? These Stocks Could Turn it Into $65,000!

Description

Small initial investments can grow to be substantial savings for a self-directed TFSA retirement fund.

Power of compounding

Some people get lucky buying new tech stocks that quickly turn the investment into massive gains when the product or service becomes ubiquitous.

Most successful investors, however, take the slow-and-steady approach to wealth generation. They buy top-quality dividend stocks and use the distributions to acquire more shares. Each time a dividend is paid, new shares are added, creating an even larger payout for the next distribution.

Think of it as a snowball effect.

Investors set the process up automatically inside their discount broker accounts. Under the dividend-reinvestment program provided by most companies, there is no fee for using the dividends to buy new shares. In some cases, the additional stock is even acquired at a discount.

Stocks held inside a TFSA take full advantage of the dividend. The CRA does not tax any earnings generated inside the TFSA. When the time comes to cash out and spend the profits, 100% of the capital gains can go right into your pocket.

Top stocks for new investors

The best stocks to own have long track records of dividend growth supported by rising revenue and earnings. Industry leaders that provide essential products and services deserve to be on your radar.

Let's take a look at two top Canadian stocks that might be interesting picks for a self-directed TFSA fund.

Toronto-Dominion Bank

TD (TSX:TD)(NYSE:TD) is often recommended as the safest pick among the large Canadian banks. The company has limited direct exposure to the energy sector, and its retail banking operations in Canada and the United States remain very profitable, even during challenging times.

Loan defaults will rise due to the pandemic, but TD maintains a strong capital position, and the dividend should be rock solid. The current distribution provides a 5% yield.

A $2,500 investment in TD stock 25 years ago would be worth about $70,000 today with the dividends reinvested.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) operates a vast network of rail lines across Canada and down through the United States. It is the only rail company in North America with connections to ports on three coasts. This provides CN with a competitive advantage that is unlikely to change.

CN gets revenue from several different segments. When one group has a rough quarter, the others normally make up the difference.

The business is key to the successful and efficient operation of the Canadian and U.S. economies. CN generates strong free cash flow, and the stock tends to hold up well when the broader market hits a rough patch.

A $2,500 investment in CN shares just 20 years ago would be worth $60,000 today with the dividends reinvested.

The bottom line

Imagine, an investment of $25,000 in each of these stocks 25 and 20 years ago would be worth $1.3 million today!

TD and CN are just two examples of great stocks in the **TSX Index** that have generated fantastic returns over the years for their investors and should continue to be attractive picks for a TFSA portfolio.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)

4. TSX:TD (The Toronto-Dominion Bank)

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