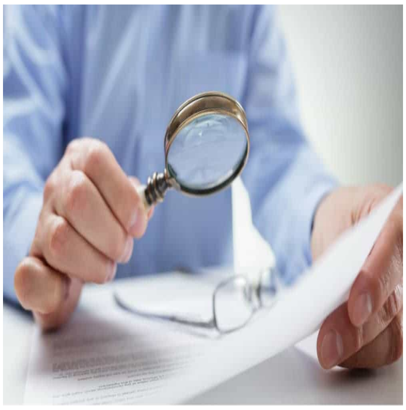

TFSA Investing: 2 Blue-Chip Giants to Watch

Description

One of the best financial instruments available to Canadians is the Tax-Free Savings Account (TFSA). TFSA investing offers significant savings over time compared to taxable accounts.

These savings compound over the long run and leave investors with a lot more money in their pockets. The catch is that the TFSA has a limited amount of contribution room annually.

As such, TFSA investing typically enjoys the best results when done with a long-term outlook. That is, with a focus on blue-chip stocks with reliable growth potential.

If too much risk is taken within a TFSA, that contribution room can vanish, and then it’s gone for good. Instead, investors should be keen to add TSX blue-chip stocks to grow their TFSA holdings.

Today, we’ll look at two blue-chip giants that Canadian investors should keep a close eye on.

RBC

Royal Bank of Canada (TSX:RY)(NYSE:RY) is the largest bank in Canada, sporting a market cap of $152.76 billion. It has a robust range of revenue streams through the various products and services it offers customers.

When it comes to TFSA investing, RY is certainly a household name. It has a great track record for steady growth and a reliable yet ever-growing dividend.

Now, given the current economic conditions, the stability of a stock’s dividend is even more important. However, investors can take solace in the fact that RY has paid a dividend every year since it introduced one in 1870.

So, while 2020 has presented new challenges, RY has been through all the ups and downs since 1870 and still delivered value to investors. That doesn't seem set to change any time soon either, as RY is carrying a dividend-payout ratio of only 54.76%.

Plus, with ample liquidity and financial cushion, there really is no reason to worry about RY's dividend. As of this writing, it's yielding 4.02% and trading at $107.38.

While there will almost surely be bumps in the road ahead in the short term, the long-term outlook for RY is still overwhelmingly positive. It's the market leader in a major, unwavering industry in Canada.

If you're looking to pick up shares of a reliable TSX blue-chip stock that's ideal for TFSA investing, RY is a great choice.

Telus

Telus (TSX:T)(NYSE:TU) is a major player in the Canadian telecom industry, mainly through its subsidiary Telus Communications. It offers an assortment of services ranging from TV, internet, and mobile phone to entertainment and digital healthcare through Telus Health.

Telus is an ideal stock for TFSA investing, because it has a solid plan for growing its dividend over the next few years as well as a good trajectory for growth. Through its various offerings, it's built a diverse range of revenue streams and growth opportunities.

As of this writing, Telus is trading at $24.79 and yielding 5.02%. Given its five-year average yield is 4.4%, there's a little bit of extra yield on the table for investors.

While Telus has certainly taken a hit this year, it's already turning things around. While many stocks are still posting revenue growth figures far in the negatives, Telus is sporting a figure of 7.2%.

Given its solid footing in the Canadian market, juicy dividend, and avenues for potential growth going forward (5G networks, digital healthcare expansions), Telus is a great pick for TFSA investing.

TFSA investing plan

If you're looking to add some blue-chip stocks to your TFSA, these are two of the best. They offer great stability to go along with attractive dividends.

Over the long run, these stocks offer TFSA investors great total return potential once one considers the tax savings and dividend compounding.

Be sure to keep an eye on these TSX giants going forward.

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jagseguin