TFSA Investors: How 2 Top Canadian Stocks Can Turn $20,000 Into $500,000

Description

Self-directed TFSA investors are searching for top Canadian stocks to add to their buy-and-hold retirement portfolios.

Best Canadian stocks for a retirement fund

The top Canadian stocks to own over the long haul often possess similar characteristics. The companies exhibit strong track records of revenue and profit growth. This leads to reliable dividend payments and steady distribution growth. Industry leaders stand out. Ideally, they also enjoy wide competitive moats.

Is Royal Bank a top Canadian stock to buy now?

Royal Bank (TSX:RY)(NYSE:RY) is a giant in the Canadian banking industry with a market capitalization of $150 billion. The bank is ranked among the top 15 in the world on that metric and enjoys a level of profitability that is the envy of most of its global peers.

Royal Bank reported solid fiscal Q4 and full-year 2020 earnings, despite the rough ride caused by the pandemic. Net income came in at $3.2 billion for the three months ended October 30. For the entire fiscal year, Royal Bank earned $11.2 billion in net profits. That's down 11% compared to 2019, but the number reflects higher provisions for credit losses that might be overly conservative.

Royal Bank's return on equity in Q4 was a solid 16%. The bank remains well capitalized with a CET1 ratio of 12.5%. All the banks face ongoing COVID headwinds, but Royal Bank is in good shape to ride out the storm.

This top Canadian stock isn't as cheap as it was a few months ago, but Royal Bank still deserves to be an anchor position in any TFSA or RRSP portfolio. The dividend provides a 4% yield at the current share price, so you get paid well to wait for the economy to recover.

Long-term holders of the stock have enjoyed great gains. A $10,000 investment in Royal Bank just 25 years ago would be worth $300,000 today with the dividends reinvested.

Should you buy Fortis stock today?

Fortis (TSX:FTS)(NYSE:FTS) is a top Canadian stock pick among dividend investors. The company raised the dividend in each of the past 47 years and intends to boost the payout by an average of 6% per year through 2025.

How?

Fortis is working through a $19.6 billion capital program that will increase the rate base significantly and drive cash flow higher. Additional projects are under consideration that could lead to even better results over the medium term.

Low interest rates benefit Fortis, as the company borrows cheaply to fund the capital program. Reduced borrowing costs can also free up more money for dividends. The stock appears oversold right now near $52 per share. Fortis traded above $58 in February. The current dividend provides a yield of 3.8%.

A $10,000 investment in Fortis 25 years ago would be worth $200,000 today with the dividends reinvested.

The bottom line

Royal Bank and Fortis should continue to be top Canadian stocks for self-directed TFSA and RRSP investors. The companies are managed well, remain profitable during difficult economic times, and should deliver strong long-term returns.

The **TSX Index** is home to many other top dividend stocks. Several still appear oversold right now and provide attractive dividend yields.

CATEGORY

1. Dividend Stocks
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2. NYSE:RY (Royal Bank of Canada)
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