



3 Top Stocks to Build TFSA Wealth

Description

Canadian savers received an extra \$6,000 in TFSA contribution room for 2021. The market is expensive right now, and investors wonder where they might find good [value](#) in top stocks on the **TSX Index**.

TFSA advantage for owning top stocks

The TFSA is a great tool to help younger investors build wealth for retirement. For those already receiving pensions, a TFSA portfolio generates tax-free earnings that won't put OAS pension payments at risk of the OAS clawback.

Since the inception of the TFSA in 2009, the contribution limit has grown to \$75,500. That's enough to create a serious passive-income stream from top [dividend stocks](#).

Why BCE is a top pick for TFSA investors

Retirees and other dividend investors have owned **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) for decades. Analysts often refer to the stock as the next best thing to a GIC for those seeking reliable income.

Owning stocks isn't risk-free, and BCE's share price can fall. In fact, the stock trades near \$55 right now compared to \$65 before the pandemic. However, short-term drops tend to be good opportunities to add the stock to a buy-and-hold TFSA portfolio.

BCE generates solid free cash flow to support the generous dividend. Management continues to invest in network upgrades to protect the competitive moat and ensure customers have world-class services.

The dividend provides a 6% yield right now, and investors could see the stock drift back towards the 12-month high over the next 18 months.

Is Royal Bank of Canada a top stock to buy now?

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) isn't as cheap as it was during the worst part of the crash last year. Ideally, investors would buy the stock on a dip, but trying to time the market with Royal Bank shares often means missing dividends and potential upside.

Royal Bank is one of the most profitable large banks on the planet. That's why investors hold it as a core position in their TFSA and RRSP portfolios. At the current price of \$108 per share, you still get a 4% dividend yield. The bank has significant [extra capital](#) to deploy on a takeover. In addition, the government will probably allow the Canadian banks to boost dividends and buy back shares again by the end of this year.

When that happens, it wouldn't be a surprise to see a double-digit boost to the distribution over the course of the following two quarters.

Long-term investors have done well with the stock. A \$10,000 investment in Royal Bank just 25 years ago would be worth more than \$300,000 today with the dividends reinvested.

How Canadian National Railway stock can make you rich

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) serves an integral role in the efficient operation of the Canadian and U.S. economies. The company transports lumber, grain, crude oil, finished products, auto parts, fertilizer and pretty much anything else that can fit on or inside rail cars.

CN's unique rail network connects to both the Pacific and Atlantic coasts in Canada and the Gulf of Mexico in the United States. This gives it important leverage when bidding on contracts to move intermodal freight.

CN's dividend only offers a yield of 1.6%, but the dividend-growth rate is more important. Investors who bought the stock when CN went public in the 1990s have enjoyed compound annual dividend growth of 16%.

A \$10,000 investment in CN just 20 years ago would be worth \$240,000 today with the dividends reinvested.

The bottom line on TFSA investing

BCE, Royal Bank, and CN are all leaders in their respective industries. The companies have great track records of dividend growth and all deserve to be top stocks for a TFSA portfolio.

CATEGORY

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2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BCE (BCE Inc.)
5. TSX:CNR (Canadian National Railway Company)
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