TFSA Investors: 3 Top Dividend Stocks for 2021

Description

TFSA investors want top dividend stocks to boost income or grow their retirement portfolios. The market still offers attractive deals on some of Canada's best dividend-growth companies.

Why BCE is an attractive dividend stock in 2021

BCE (TSX:BCE)(NYSE:BCE) just reported solid Q4 2020 earnings. As a result, the board raised the dividend by 5% for 2021.

That's great news for shareholders who watched BCE stock trail the broader market recovery last year. The stock took a hit due to weak results in the media business and a drop in lucrative roaming fees. Once the pandemic ends, these revenue streams should return to normal levels.

In the meantime, BCE's wireless and wireline network operations continue to deliver steady revenue and cash flow. The company announced plans to accelerate investments by at least $1 billion over the next two years to further the expansion of its fibre-to-the-premises, rural wireless home internet, and 5G infrastructure.

BCE's stock price rose on the positive results but still appears cheap. At the current share price near $56, investors pick up a dividend yield of better than 6% from the new annualized payout of $3.50 per share.

It wouldn't be a surprise to see the share price drift back above $60 by the end of the year. BCE traded for $65 before the pandemic.

Canadian National Railway is a top TFSA pick

CN (TSX:CNR)(NYSE:CNI) should benefit from a continued recovery in the Canadian and U.S. economies in 2021. The rail operator transports everything from car parts, grain, and fertilizer toforestry products, crude oil, and finished goods.

CN's unique rail network connects three coasts, providing the firm with a sustainable competitive advantage. Investors get great access to U.S. economic expansion through a Canadian company and typically receive generous dividend increases.

The stock soared to a new all-time high in October. A recent pullback makes the share price attractive for buy-and-hold TFSA investors. The yield is a bit low at 1.8%, but CN's overall returns and reliable business make it a top TFSA pick.

Why TD deserves to be an anchor holding for investors

TD (TSX:TD)(NYSE:TD) is best known for its Canadian retail banking strength, but the company actually operates more branches in the United States. As with CN, TD is a great stock for investors who want exposure to the U.S. recovery.

TD and its large Canadian peers made it through 2020 in better shape than analysts might have expected at the start of the pandemic. TD probably put more cash aside than required for bad loans. Some pain is still expected when government aid programs expire, but defaults won't be as high as feared.

The government will likely allow the Canadian banks to resume dividend increases by the end of the year. Share buybacks and acquisitions could also be on the way. TD's long-term compound annual dividend-growth rate is above 10%. A double-digit increase over the next 12 months is possible.

TD stock trades at a reasonable price and provides a 4.2% dividend yield.

The bottom line on top dividend stocks in 2021

BCE, CN, and TD are all leaders in their respective industries. The stocks should continue to be Dividend Aristocrats in the coming years and offer solid growth prospects for TFSA investors in 2021.

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