TFSA Investors: 2 Top TSX Stocks I'd Buy With an Extra $3,000

Description

Top TSX stocks at cheap prices are tough to find today, but some great Canadian stocks remain attractive for a TFSA portfolio.

Which top TSX stocks are best to buy now?

The best companies in the TSX are good buys at any time. It is great to pick up these top stocks when there is a market crash, but that happens about once every 10 years, and it takes courage to dive in when the rest of the world is selling. In addition, the steepest sell-offs tend to be short-lived.

As such, it makes sense to focus on top stocks that you can comfortably buy in a TFSA at any time and simply forget for two or three decades. Companies with the best records of dividend growth deserve to be high on the buy list.

Let's take a look at **Fortis** (TSX:FTS)(NYSE:FTS) and **TD Bank** (TSX:TD)(NYSE:TD) to see why they might be interesting picks right now.

Fortis

Fortis is a utility company with more than $50 billion in assets located in Canada, the United States, and the Caribbean. The majority of the revenue comes from regulated businesses. This makes cash flow reliable and predictable in most economic conditions. No stock is 100% recession-proof, but Fortis tends to navigate tough times in decent shape.

The company grows through a mix of acquisitions and internal development projects. Management expects the current $19.6 billion capital program to boost the rate base from $30 billion in 2020 to $40 billion in 2025. Over that timeframe, the board intends to raise the dividend by an average annual rate of 6%. The current dividend offers a 3.9% yield.

Fortis increased the payout in each of the past 47 years, so TFSA investors should have confidence in the guidance.

The stock appears cheap around $52. Fortis traded as high as $59 in the past year. Buy-and-hold investors generally do well with the shares. A $3,000 investment in Fortis 25 years ago would be worth $60,000 today with the dividends reinvested.

TD Bank

TD is the second-largest Canadian bank by market capitalization. The Canadian business brings in the biggest chunk of the profits, but TD also has a major presence in the United States. In fact, the bank operates more branches south of the border than it does in Canada.

Government aid and payment deferrals helped avoid a worst-case scenario for the banks last year. Defaults are expected to rise once the COVID-19 assistance programs end, but the hit won't be as bad as feared. TD and its peers set aside massive amounts of extra funds to cover potential loan losses, but the large cash positions are well above the required CET1 levels.

Once the banks get the green light to raise dividends, TD could use part of the cash to give investors a nice increase. TD has one of the best dividend-growth track records among the top TSX stocks. Share buybacks are another option. In addition, analysts expect TD to look for acquisition opportunities in the United States.

The current dividend provides a solid 4.2% yield for TFSA investors.

Long-term owners of TD stock have enjoyed great returns. A $3,000 investment in TD stock 25 years ago would be worth about $80,000 today with the dividends reinvested.

The bottom line on top TSX stocks

The top TSX stocks to buy for a TFSA dividend portfolio have long histories of distribution growth supported by rising revenue and higher profits. Fortis and TD fall into that category and deserve to be on your radar.

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