



TFSA Investors: 2 Top TSX Stocks That Turned \$40,000 Into \$1.2 Million

Description

Tax-Free Savings Account (TFSA) investors want to find top **TSX** stocks that can turn their initial investments into large wealth funds for retirement.

TFSA advantage

The TFSA is a great savings tool for investors who want to build an income portfolio or create a wealth fund that will grow for decades. In 2021 the TFSA limit increased by \$6,000 to bring the maximum cumulative space since inception to \$75,500. That's an adequate amount for retirees to create a solid tax-free income stream from dividend stocks and REITs.

Younger investors have enough room to build a retirement portfolio that could be worth millions down the road. Buying top TSX dividend stocks and using the distributions to acquire new shares takes advantage of the power of compounding. Over time, the snowball effect can create a substantial wealth fund.

All dividends and capital gains earned inside the TFSA are tax-free. That means investors can build a retirement fund for decades and all the profits go straight into your pocket when the time comes to spend the money. The CRA doesn't take a cut when you withdraw the funds.

Best stocks to build TFSA wealth

Companies with long track records of dividend growth supported by rising revenue and higher profits tend to be good buy-and-hold picks for a personal pension portfolio.

Let's take a look at **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) and **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) to see how the strategy works.

TD

TD is Canada's second largest bank by market capitalization. It is also among the top 10 in the United States. The American operations grew rapidly over the past 15 years as TD made strategic acquisitions focused on the east coast of the country from Maine right down to Florida. As a result, investors get great exposure to U.S. economic expansion through TD stock.

TD is very [profitable](#) and has excess capital right now to deploy on new acquisitions to drive growth. Analysts expect the government to give the banks the green light to raise dividends again later this year. TD investors should see a generous increase.

A \$20,000 investment in TD just 25 years ago would be worth \$620,000 today with the dividends reinvested.

Enbridge

Enbridge is a leader in the North American energy infrastructure industry. The company is primarily known for its oil pipelines, but Enbridge also owns and operates extensive natural gas transmission, storage, and distribution businesses. In addition, the company has a growing renewables division with solar, wind, and geothermal facilities.

Enbridge completed a strategic transition before the pandemic. This enabled the business to weather the 2020 downturn in decent shape. The board raised the dividend late last year, helping ease concerns that a distribution cut might have been in the cards.

Investors should see distributable cash flow continue to grow at a steady pace in the coming years to support ongoing dividend increases. The [energy sector](#) is on the rebound and that bodes well for capacity demand along Enbridge's oil pipelines in 2021 and beyond.

The stock appears [undervalued](#) at the current price. Investors who buy now can pick up a solid 7.3% dividend yield.

A \$20,000 investment in Enbridge 25 years ago would be worth \$580,000 today with the dividends reinvested.

The bottom line on TFSA investing

The strategy of buying top dividend stocks and using the distributions to add new shares is a proven one for creating retirement wealth. TD and Enbridge are just two of the leading TSX dividend stock for a TFSA portfolio.

If you have some cash to invest, these stocks deserve to be on your radar.

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2. NYSE:TD (The Toronto-Dominion Bank)
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Date

2025/07/27

Date Created

2021/03/12

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