



2 Top TSX Stocks for a TFSA Pension Fund

Description

Investors who use the TFSA for retirement planning want to find top **TSX** stocks they can buy today and hold for two or three decades.

The rally off the 2020 [market crash](#) caught many people by surprise, and those who still have cash to put to work wonder if there are any [undervalued stocks](#) to buy now. It's true that many of the best deals are gone, but the TSX Index still has some great recovery stocks trading at reasonable prices.

Why Canadian National Railway remains a top TSX stock

CN ([TSX:CNR](#))([NYSE:CNI](#)) operates roughly 20,000 route miles of tracks. The network runs from the Pacific to the Atlantic in Canada and down through the heart of the United States to the Gulf Coast. The firm earns revenue in both currencies and has a diversified group of business segments. This helps smooth out revenue blips when certain parts of the economy hit a rough patch.

CN transports grain, coal, fertilizer, crude oil, chemicals, forestry product, automobile parts, and finished goods. The intermodal operations provide essential links between domestic firms and their international suppliers or customers.

As the Canadian and U.S. economies grow, CN's business expands. Management invests billions of dollars every year to make sure the network is operating efficiently and the company has the locomotives and rail cars to meet growing demand for its services.

Despite the large capital program, CN still generates significant free cash flow. In the 2020 [financial results](#), the company reported record free cash flow of \$3.2 billion for the year.

For 2021, CN intends to spend \$3 billion on capital investments. Free cash flow is expected to be similar to 2020 and earnings per share should continue to grow.

CN raised the dividend by 7% for 2021 representing the 25th straight annual hike to the payout. The board also plans to buy back up to 14 million shares.

Long-term investors have done well with CN stock. A \$10,000 investment in the shares 20 years ago would be worth \$200,000 today with the dividends reinvested.

Why Enbridge stock looks like a good buy right now for a TFSA

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) trades near \$46 per share at the time of writing. That's down from \$56 before the pandemic. The stock took a hit last year, as investors dumped most names connected to the oil industry.

A sharp drop in fuel demand drove down oil prices in 2020. Oil has since recovered, but commuters are still working from home and airlines continue to keep planes grounded. Once travel restrictions ease and lockdowns end, jet fuel and gasoline demand will rebound. This means refineries will require more crude oil from producers.

Enbridge moves about 25% of the oil produced in Canada and the United States, so it is a key part of the industry.

Enbridge's natural gas and renewable energy businesses continued to perform well last year, helping to offset the slowdown in throughput on the oil pipeline network. This allowed the company to hit its target for distributable cash flow (DCF) in 2020. The board raised the dividend for the 26th straight year, and investors should see dividend hikes of 5-7% per year over the medium term in line with anticipated DCF growth.

The stock currently offers a 7.25% dividend yield, so you get paid well to wait for the recovery.

The bottom line on TFSA investing

CN and Enbridge should benefit as the economy recovers in the next few years. The companies have long track records of dividend growth and long-term investors should continue to see solid returns. If you have some TFSA cash available to invest, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)

3. TSX:CNR (Canadian National Railway Company)
4. TSX:ENB (Enbridge Inc.)

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