TFSA Investing: 2 Canadian Dividend Giants

Description

The Tax-Free Savings Account (TFSA) is an extremely powerful investment vehicle for Canadians. Due to the various benefits of the account, TFSA investing can be done through many different strategies.

Some investors tend to deploy a risky, high reward strategy in a TFSA because they won't pay tax on capital gains. However, this strategy can backfire because a TFSA has limited contribution room. As such, any large losses could set back the TFSA going forward.

Instead, long-term investors might want to go with a steadier approach for their TFSA investing plan. This typically means picking up shares of rock-solid TSX blue-chip stocks. Over time, the total return potential is massive once you account for the tax savings as well.

Today, we'll look at two such TSX giants ideal for long-term TFSA investing strategies.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a massive Canadian holding company, parent to the Bell Canada group of companies including Bell Media.

Through its various branches of business, it has built up a varied array of revenue streams. This wide moat gives it both attractive growth prospects and rock-solid stability.

As a blue-chip stock with its hands heavily in the Canadian telecom industry, BCE is able to deliver solid results to investors. For TFSA investing, this blue-chip giant can give investors massive total returns compounded over time.

As of this writing, BCE is trading at $57.55 and yielding 6.08%. That's quite the eye-catching yield for investors.

It's worth noting that BCE's payout ratio is sitting at over 100%, however this could be chalked up to a very tough 2020 market. As growth starts to accelerate going forward, BCE should be able to maintain their dividend while bringing its sustainability back in line.

Plus, this is a blue-chip stock that's long been dedicated to growing its dividend. This should all be music to the ears of TFSA investing proponents.

RBC

Royal Bank of Canada (TSX:RY)(NYSE:RY) is the largest Canadian bank by market cap and an ideal candidate for TFSA investing.

This banking giant has a phenomenal track record for paying a dividend. In fact, it's paid a dividend every year since 1870, and grown the dividend for most of that time too.

RY is a bit of a best of both worlds type of stock for TFSA investing. It gives investors a bulletproof dividend while also offering decent share price appreciation over time.

As of this writing, RY is trading at $116.40 and yielding 3.71%. While that isn't the biggest yield around, it's backed up by the biggest name in Canadian banking.

Over time, in a TFSA investing plan, RY can offer investors massive total returns through dividend re-investing and tax savings.

Investors might prefer a stock like RY if they're looking for a very trusted name with plenty of liquidity and access to support. RY is a massive stock with plenty of cushion for downturns and attractive prospects for the future.

TFSA investing strategy

Both BCE and RY make for formidable additions to a TFSA. If you're looking to add some blue-chip stalwarts to your TFSA investing strategy, be sure to give these names strong consideration.

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:BCE (BCE Inc.)
4. TSX:RY (Royal Bank of Canada)

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