



2 Top TSX Stocks to Start Your Self-Directed Retirement Plan

Description

Canadian investors are increasingly taking control of their retirement investing and setting up self-directed plans through their [online brokerage](#) accounts.

Best TSX stocks for retirement portfolios

A diversified basket of stocks is always recommended to give investors exposure to different industries and markets. Betting on start-ups can certainly deliver huge payoffs if you are fortunate enough to pick the right ones at the right time, but a safer and more reliable strategy might be to pick industry leaders with strong track records of [dividend](#) growth supported by rising revenues and profits.

CN

CN ([TSX:CNR](#))([NYSE:CNI](#)) recently abandoned its US\$30 billion bid to buy U.S.-based **Kansas City Southern**. The process was a distraction over the past several months and caused the share price to go through some rare volatility. Now that the saga is over, the stock price has pretty much returned to where it was when CN announced its takeover bid.

The railway already has a unique network of lines that connects ports on the Atlantic and Pacific coasts in Canada and the Gulf Coast in the United States. CN serves as an essential component of the smooth operation of the Canadian and U.S. economies, transporting everything from cars and coal to forestry products, fertilizer, and finished goods.

CN generates solid profits in both good and bad economic times and produces enough cash flow to cover capital investments and still give investors generous dividend increases every year. The fact that the company doesn't have to take on a big pile of debt to make the abandoned acquisition should mean investors will get a nice raise in 2022.

The stock has performed well since CN went public in the mid-1990s. A \$10,000 investment in CN stock at that time would be worth about \$500,000 today with the dividends reinvested.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest financial institution with a [market capitalization](#) of \$185 billion.

The company is investing heavily in digital solutions to ensure it remains competitive in a world where customers are becoming more comfortable doing their financial transactions on their computers, tablets, and smartphones. The retail banking segment is certainly going through some big digital changes, which could pose some risk to the incumbents, but Royal Bank has the means to compete.

The big Canadian banks still enjoy wide moats and are trusted businesses. Capital markets, commercial and corporate lending, and even wealth management at the higher levels are still dominated by the banks. That's not likely to change much in the coming years.

Royal Bank is a profit machine. The company generates more than \$1 billion in earnings per month and is sitting on significant excess cash that was set aside to cover potential loan losses due to the pandemic. The worst-case scenario never materialized and Royal Bank has billions of dollars to deploy. The bank could use the funds to make a strategic acquisition. Investors should also receive a large dividend hike when the banks get permission to restart distribution increases.

A \$10,000 investment in Royal Bank 25 years ago would be worth \$300,000 today with the dividends reinvested.

The bottom line on retirement investing

CN and Royal Bank are leaders in their industries. The companies enjoy wide competitive moats and are very profitable. While future returns might not be the same as those produced in the past two decades, these stocks still deserve to be core holdings in a self-directed Tax-Free Savings Account (TFSA) or RRSP portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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