



2 Top Stocks to Start Your Self-Directed TFSA Pension Fund

Description

New investors are searching for top TSX stocks to start their TFSA retirement savings.

TFSA benefits

The TFSA is a good option for young investors to start putting cash aside for the golden years. Funds can be removed without a tax penalty in the event the cash is needed for an emergency. This isn't the case with [RRSP](#) investments where there is a withholding tax applied to pre-retirement withdrawals.

Investors in the early part of their careers might also decide to save RRSP space for down the road when they have higher incomes and would benefit more from the reduction in taxable income that comes with RRSP contributions. Ideally, we would maximize TFSA and RRSP contributions every year, but most people don't have that luxury, especially when they are in the early stages of their working lives.

A popular TFSA and RRSP investing strategy involves buying top dividend stocks and using the distributions to acquire new shares. This sets off a powerful compounding process that can build a large pool of savings over time.

Let's take a look at two top TSX dividend stocks that might be interesting TFSA picks today.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) is a leading player in the North American energy infrastructure industry with assets located in Canada, the United States, and Mexico.

The business mix of natural gas transmission and storage, power generation, and oil pipelines provides a stable revenue stream. The non-oil segments performed well last year, enabling TC Energy to deliver strong results in a challenging environment.

The company is large enough to do big strategic deals to boost growth. TC Energy is also working on a \$21 billion capital program that will boost revenue and cash flow over the next four years. This should support annual dividend increases of at least 7%.

The stock trades near \$63 per share at the time of writing and provides a 5.5% dividend yield. TC Energy traded above \$75 before the pandemic, so there should be decent upside, as the energy sector continues its recovery.

TD

TD ([TSX:TD](#))([NYSE:TD](#)) is Canada's second-largest bank by [market capitalization](#). Most people know TD for its Canadian retail banking operations, but TD actually has more branches south of the border. The company spent billions of dollars over several years to buy regional banks in the U.S. from Maine right down the east coast to Florida. TD's American business now has the scale the company needs to compete with the larger American banks.

The pandemic forced TD to set aside significant cash to cover potential loan losses. The company has a large Canadian residential mortgage portfolio, and there were concerns early on in the pandemic that house prices could tumble by double digits. We now know the reverse happened, and the cheap rates available to buyers have fuelled a new boom in housing demand.

Government aid is largely responsible for lower-than-anticipated bankruptcy filings, and although some pain is expected when COVID-19 assistance programs end, the worst-case outcome has been avoided. TD remains very profitable, despite the current economic challenges and will likely give investors a big dividend increase when the government allows the banks to restart raising payouts.

The bottom line on top stocks for a TFSA

TC Energy and TD are top players in their industries and have long track records of providing investors with growing dividends and attractive returns. If you are searching for good stocks to buy for a TFSA retirement fund, these companies deserve to be on your radar.

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3. TSX:TD (The Toronto-Dominion Bank)
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