TFSA Investing: Ditch the RRSP and Buy These 3 Stocks

Description

In August 2019, the **Royal Bank of Canada's** Independence in Retirement poll results showed that 57% of Canadians own a Tax-Free Savings Account (TFSA). On the other hand, 52% of the respondents say they have a Registered Retirement Savings Plan (RRSP).

The two investment accounts complement each other, but people can't help but compare the advantages. I suppose many ditched their RRSPs with the TFSA's introduction in 2009. The primary reason is that the newer TFSA has more flexibility than the RRSP.

Regarding preferred investments, most TFSA investors hold dividend stocks. Other account holders take it a step further by choosing companies that pay monthly dividends for faster money compounding. Among the select few monthly income stocks are **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), **Extendicare** (TSX:EXE), and **Bird Construction** (TSX:BDT).

If you have all three in your TFSA, you can reinvest the dividends 12 times a year, not four. Also, since balance grows faster, it enables you to meet short- and long-term financial goals.

Industry-leading returns

Good management and high-quality assets are the plus factors for Pembina Pipeline. The $22.09 billion company provides valuable transportation, storage infrastructure, and midstream services to customers in the energy industry. Apart from the 65 years of corporate existence, investors can rely on the energy stock for sustainable industry-leading returns.

As of November 12, 2021, Pembina trades at $41.48 per share. Apart from the 45.6% year-to-date gain, current investors partake of the lucrative 6.08% dividend. Assuming your available TFSA contribution room is $20,000, and you use it to purchase this energy stock, the money will produce $101.33 in tax-free income every month.

Pure dividend play

Extendicare in the seniors' space is a pure dividend play. The $645.7 million company is trusted in long-term care (LTC), retirement living, and home health care services. In addition to the buoyant future demographic demand, it receives government funding during occupancy shortfalls. The stock has been pretty stable so far in 2021 (+16.11% gain). At just $7.31 per share, the dividend yield is an eye-popping 6.57%.

The operations are returning to normal, as evidenced by the total revenue of 4.5% in Q3 2021 versus Q3 2020. However, net operating income (NOI) and net earnings dropped 58% and 82% year over year. Nevertheless, Extendicare isn't under the water. It ended the quarter with strong liquidity ($132.2 million) and expected the occupancy to stabilize soon.

Recovery play

Bird Construction carries a strong buy rating from market analysts. At $10.57 per share, the trailing one-year price return is 60.39%, while the year-to-gain is 36.92%. The 12-month average and maximum price targets are $12.69 (+20%) and $14.25%. Your overall return should be higher if you factor in the decent 3.69% dividend.

This $568.1 million construction company is an excellent recovery play. In the three months and nine months ended September 30, 2021, net income grew 37% and 111% year over year. Management expects improved financial performance in Q4 2021 and beyond. Bird has a robust bid pipeline and sees growth prospects in the civil infrastructure market.

Awesome benefits

TFSA users can contribute forever to their accounts and go tax-free all the way, Moreover, you don't need earned income to contribute to your TFSA nor worry about taxes when you withdraw funds. Last, retirees can lessen the impact of the 15% Old Age Security (OAS) clawback by maximizing their TFSAs.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:BDT (Bird Construction Inc.)
3. TSX:EXE (Extendicare Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

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