



TFSA Investors: 2 Top TSX Stocks to Build Retirement Wealth

Description

Canadian savers are using their TFSA to create self-directed retirement portfolios. The overall market looks expensive right now, but some top TSX stocks still trade at reasonable prices.

CN

CN ([TSX:CNR](#))([NYSE:CNI](#)) has had an eventful 2021 that saw the normally steady share price go through some unusual volatility.

The company tried to buy Kansas City Southern, a U.S. railway with routes in Mexico, after KCS had already agreed to a deal with **CP Rail**. The CN bid of US\$30 billion plus debt was a 20% premium to the price KCS had already accepted from CP and convinced the KCS board to change its plans. In the end, CP increased its offer to US\$27 billion and regulators indicated their concerns with CN purchasing KCS. The KCS board ended the talks with CN and is pursuing the merger with CP.

CN came out of the whole process with some extra cash due to the break-fee negotiated with KCS and is now back to focusing on improving its efficiency and driving revenue growth across its unique network that connects to three coasts.

In 2022, CN will get a new CEO. Large investors voiced their displeasure with the attempted purchase of KCS, and change is on the way.

Investors will likely benefit from the deal not going ahead. CN would have taken on significant debt to get the acquisition done. This would have meant the cancellation of share buybacks and likely smaller dividend increase. Now that CN isn't doing the deal, the board reinstated the share-repurchase program, and investors should see a generous dividend increase next year.

CN is a very profitable company with making new acquisitions and generates carloads of free cash flow. As the Canadian and U.S. economies grow, revenue and profits should steadily rise.

Long-term investors have received strong total returns from the stock. A \$10,000 investment in CN 25

years ago would be worth \$570,000 today with the dividends reinvested.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest financial company and one of the top 10 in the world by [market capitalization](#). The bank continues to generate strong profits in these challenging times and should benefit from rising interest rates that are expected to begin in 2022.

The bank has a balanced revenue stream that comes from personal banking, commercial banking, capital markets, wealth management, investor and treasury services, and insurance.

Royal Bank continues to make the investments in digital solutions that are needed to ensure it stays competitive in a rapidly changing world where more people prefer to do their banking through smart phones, tablets, and computers.

The company reported net income of \$4.3 billion in fiscal Q3 2021, up 34% from the same period in 2020. The fiscal Q4 2021 results are due out on December 1. They could be even better, and the bank is expected to give investors a large dividend increase. In fact, a jump of 20% in the payout wouldn't be a surprise.

Buy-and-hold investors have done well with this stock, as well. A \$10,000 investment in Royal Bank 25 years ago would be worth about \$258,000 today with the dividends reinvested.

The bottom line on top stocks for a TFSA

CN and Royal Bank are leaders in their respective industries. The stocks have made some long-term holders quite wealthy and still deserve to be anchor picks for a TFSA retirement fund.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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