3 Cheap Canadian Stocks to Start a TFSA Retirement Fund

Description

Canadian investors are using their self-directed TFSA to set up a retirement portfolio of top TSX stocks. The recent market pullback is giving investors a chance to buy good stocks at undervalued prices.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) trades near $48 per share at the time of writing compared to the 2021 high of $54.

The company reported strong Q3 2021 results and is on track to hit its full-year guidance. Adjusted earnings rose 20% year over year to $1.2 billion. Distributable cash flow (DCF), which is important for retirement investors, was $1.13 per share in the quarter, up from $1.03 in 2020.

For the full year, Enbridge reaffirmed its DCF target of $4.70 to $5.00 per share. In the financial guidance for 2022, Enbridge said it expects DCF per share to grow by an average of 5-7% per year through 2024. That should support steady dividend increases.

The board just raised the payout by 3% for 2022. The new quarterly distribution of $0.86 per share provides an annualized yield of more than 7%.

TFSA investors searching for income can get a great return while those building a buy-and-hold retirement portfolio can use the distributions to buy new shares and harness the power of compounding.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has a 65-year track record of providing Canadian oil and gas producers with midstream services. The company has grown substantially over the decades through acquisitions and internal projects, and that trend is expected to continue.

Pembina Pipeline has pipeline, logistics, gas gathering, and gas processing assets. It also has propane export facilities and is evaluating plans for carbon sequestration and LNG projects.

The stock is down with the broader pullback in the energy infrastructure sector in recent weeks, giving investors a chance to buy at a cheap price. Pembina Pipeline trades near $38 per share at the time of writing. The stock was at $53 before the pandemic, so there is decent upside opportunity in the next few years.

Investors who buy now can pick up a solid 6.7% dividend yield.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) reported fiscal Q4 2021 earnings that beat analyst expectations. The strong performance triggered a nice bounce in the share price, but Bank of Nova Scotia still looks attractive at 11 times trailing 12-month earnings.

The board just raised the dividend by 11%, and the bank intends to buy back stock under a new share-repurchase program. Investors could also see the bank use part of its excess cash to make strategic acquisitions in the next couple of years. The CEO has indicated the company might look at deals in the United States. Bank of Nova Scotia's existing international operations are primarily located in Mexico, Peru, Chile, and Colombia.

At the time of writing, the dividend provides a 4.7% yield.

The bottom line on top dividend stocks for a TFSA

Enbridge, Pembina Pipeline, and Bank of Nova Scotia all pay attractive dividends and should deliver good returns for a buy-and-hold TFSA retirement portfolio. If you have some cash to put to work, these stocks deserve to be on your radar.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:ENB (Enbridge Inc.)
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aswalker