How the Right Investment Mix Can Make Your TFSA Soar

Description

Finding the right investment mix for your TFSA early on can make the difference between retiring early or deferring retirement for several years. Starting early also means that you have the benefit of decades of reinvestments and growth to propel your nest egg into the stratosphere.

Don’t stray from the tracks

Canadian National Railway (TSX:CNR)(NYSE:CNI) isn’t just the biggest railroad in Canada. It also happens to be one of the largest railways on the continent and the only one with access to three coastlines.

This puts the railroad in an advantageous position over most of its peers. Adding to that appeal is the fact that Canadian National hauls upwards of $250 billion worth of goods each year. That freight can be anything from chemicals and crude oil to wheat, automotive parts, and raw materials.

The freight is hauled to and from warehouses, factories, and ports, effectively becoming a core part of the entire North American economy. In other words, railroads boast a massive defensive moat that few other, if any, segments can match.

Running that massive rail network not only keeps the economy going but also provides a recurring revenue stream for investors. That recurring stream also helps Canadian National provide its quarterly dividend. The dividend, which has seen generous annual bumps for well over a decade, currently carries a respectable yield of 1.56%. Allocating $30,000 in your TFSA to a Canadian National investment will earn over $460 during the first year.

If that yield sounds lower than you would expect, keep in mind that once growth is factored into play, Canadian National boasts a CAGR in double-digit territory. This makes Canadian National a great long-term candidate to achieve that right mix of investments for nearly any portfolio.

Use renewable energy to attain the right investment mix

Renewable energy stocks are some of the most lucrative long-term options available on the market. Not only do they boast incredible long-term appeal, but they can also provide a handsome and reliable income stream.

That income stream is backed by regulatory contracts that span decades. This is similar to the contracts that traditional fossil fuel utility stocks adhere to.

That's just one reason why **TransAlta Renewables** (TSX:RNW) warrants a place in your portfolio. TransAlta boasts an all-renewable portfolio of facilities that are diversified in terms of geography and energy type.

Those facilities, which include solar, hydro, wind, and gas elements, are located across Canada, the U.S., and Australia. TransAlta has also taken an aggressive stance towards expanding its footprint. The company continues to seek out new opportunities for long-term growth.

Turning to dividends, TransAlta is unique, and not only among its peers. The company provides a tasty 5.01% yield, which is paid out on a monthly cadence.

TFSA investors looking for long-term gains can set aside a $30,000 position in TransAlta. That investment will earn just over $1,500 in the first year. Again, attaining the right investment mix is better with time. Reinvesting those handsome dividends will provide ample dividend growth over a longer period.

Final thoughts

No investment is without risk, but fortunately, TransAlta and Canadian National are both lower-risk investments that would do well in any well-diversified portfolio. Buy them, hold them, and attain that right investment mix.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:CNR (Canadian National Railway Company)
3. TSX:RNW (TransAlta Renewables)

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