



## TFSA Investors: 2 Top TSX Stocks to Build a Self-Directed Retirement Fund

### Description

The **TSX Index** had a great run in 2021, but some top Canadian stocks still look [undervalued](#). Investors who missed the rally last year have an opportunity to buy great companies at attractive prices for their [TFSA](#) portfolios.

### TC Energy

**TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) is a major player in the North American energy infrastructure [sector](#) with more than \$100 billion in assets located across Canada, the United States, and Mexico.

The company has 93,000 km of natural gas pipelines and 650 billion cubic feet of natural gas storage capacity. TC Energy also operates oil pipelines and power-generation facilities.

The natural gas transmission assets are strategically placed to benefit from rising global demand for liquified natural gas (LNG). Countries around the globe are using natural gas to replace oil and coal to produce power. The transition to wind, solar, geothermal, and hydroelectric renewable power sources will continue, but gas-fired power production will remain important for decades as a means of ensuring stable power supplies during time of surging demand or weather-induced renewable energy shortages.

Droughts, a lack of reliable wind, and cloudy days can impact renewable energy sources.

TC Energy is building the Coastal GasLink line to bring natural gas from northeastern British Columbia to the B.C. coast, where it will connect to the new LNG Canada facility. The project has run into delays and higher expected costs due to COVID-19-related issues. Coastal GasLink is in discussion with LNG Canada with respect to the recognition of the extra costs. As a result, TC Energy has committed up to \$3.3 billion in additional temporary financing to keep the project going.

This is one reason the stock dropped from the 2021 high of \$68 per share in October to around \$58 in December. The company also decided to reduce its dividend-growth guidance to 3-5% per year from 5-7% over the medium term.

The situation on the Coastal GasLink project will get sorted out, and the extra costs are expected to be recovered through pipeline tolls when the asset goes into service.

TC Energy has a \$22 billion capital program in place that will support revenue and cash flow growth over the next few years. As a result, the new dividend guidance should be solid. TC Energy has raised the payout annually for more than two decades.

The stock is up a bit in recent days, but still appears cheap at the current price near \$62. Investors who buy at this level can pick up a 5.6% yield.

## Suncor Energy

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) trades near \$33.50 per share at the time of writing and offers investors a 5% dividend yield. The stock appears undervalued right now, given the strong rebound in the price of oil over the past year and the recovery in fuel demand.

Suncor reported impressive Q3 2021 results, and the Q4 numbers should also be robust. Management took some heat from investors in 2020 and through most of 2021 regarding decisions on the dividend. The company slashed the payout by 55% in the early months of the pandemic, while other leading producers maintained payouts. Suncor then held back from raising the distribution in early 2021 when oil was rising and dividend hikes were common in the sector.

This might be the reason the stock has trailed its peers and continues to remain unloved, even after Suncor recently raised the dividend by 100% bringing the payout back to the 2019 level.

Management's decision to channel extra cash to share buybacks and debt reduction in 2021 should pay off for investors in the medium term. With WTI oil back above US\$75 per barrel and strong global demand likely to push the price higher in 2022, investors could see another generous dividend increase in the coming months.

Suncor traded for \$44 per share before the pandemic when oil was quite a bit cheaper than it is today, so there should be decent upside for the stock, as fuel demand recovers.

## The bottom line on cheap stocks to buy now for a TFSA

TC Energy and Suncor pay attractive dividends that should continue to grow. The stocks look cheap right now and could deliver meaningful total returns for buy-and-hold TFSA investors who are building their self-directed retirement fund in 2022.

### CATEGORY

1. Dividend Stocks
2. Investing

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