



TFSA Pension: 2 Top Stocks to Buy in a Self-Directed Retirement Fund

Description

Canadian savers are using the TFSA to create their own [retirement plan](#). Younger investors are building savings, while retirees are harnessing their TFSA to generate passive income.

TFSA or RRSP

Ideally, we would all max out our [TFSA and RRSP](#) contributions each year, but not everyone has that much excess cash sitting around. As a result, Canadian investors have to decide where to put their savings.

People who find themselves in a high marginal tax bracket will normally use up their [RRSP](#) room first to reduce their taxable income for the year. Those who are in the early stages of their careers might decide to save the RRSP space for later when they get a better bang for the buck on the contributions.

The common strategy with RRSP investing is to make contributions at a high personal tax rate and pull the money out down the road when you are potentially in a lower tax bracket. RRSP withdrawals are taxed as income.

The [TFSA](#) provides more flexibility than the RRSP. Funds can be removed without a penalty, and the amount taken out gets added back to the contribution room in the next calendar year. TFSA income is also tax-free, so the TFSA is an attractive option for investors who want to generate a stream of income to complement other earnings.

With [GIC](#) rates lower than inflation, many investors are turning to top dividend stocks to boost returns on their TFSA savings.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company with a [market capitalization](#) of about \$60 billion. The firm enjoys a wide competitive moat and has the financial means

to make the investments needed to ensure it protects its position in the market while providing customers with the wireless and wireline services they need for work and entertainment.

BCE spent \$2 billion for new 3,500 MHz spectrum in 2021. This is the foundation for the expansion of its [5G](#) network. The next stage in the evolution of mobile communications opens up a variety of new revenue opportunities for BCE.

The company generates solid free cash flow to support the generous dividend. At the time of writing, BCE offers a 5.3% dividend yield.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) benefitted from the rise in oil prices and a rebound in fuel demand in 2021 and 2022 is shaping up to be even better for Canada's largest integrated energy company. Management used the excess cash to reduce debt and buy back shares through most of the year. When the Q4 results come out, Suncor will probably indicate it reduced debt to its 2025 target four years early.

The board raised the dividend by 100% late in the year. Another big increase could be on the way in the first half of 2022 with WTI oil extending its rally to the current price above US\$85 per barrel. Suncor increased its share-repurchase target to 7% of the outstanding stock under the share-buyback plan. The aggressive repurchases will likely continue through 2022.

Suncor offers a 4.65% dividend yield at the time of writing. The stock looks cheap near \$36 per share. Suncor traded at \$44 before the pandemic when WTI oil was about US\$60 per barrel.

The bottom line on top stocks for a TFSA pension

BCE and Suncor are leaders in their respective [sectors](#). The stocks pay attractive dividends with above-average yields and should deliver solid total returns for buy-and-hold TFSA investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:SU (Suncor Energy Inc.)

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