



TFSA Pension: 2 Top TSX Stocks to Help You Retire Rich

Description

Canadian savers are using their [online brokerage](#) accounts to build self-directed TFSA retirement portfolios. The tax-free streams of passive income from a TFSA are a good complement to CPP, OAS, and company pensions.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) has a [market capitalization](#) of \$207 billion. That makes it the largest financial institution in Canada and one of the top 10 in the world. The bank is a profit machine, generating fiscal 2021 earnings of more than \$16 billion and a return of equity (ROE) of 18%. To put this into perspective, the U.S. banks had an average ROE of about 12% last year.

Royal Bank is sitting on excess capital it built up to ride out the pandemic. As a result, the board raised the dividend by 11% when the bank announced fiscal Q4 results. Royal Bank is also buying back stock, and it wouldn't be a surprise to see an acquisition get announced in the next couple of years.

The Bank of Canada and the U.S. Federal Reserve are expected to begin raising interest rates as early as next month and will likely continue the process through the end of 2023, as they attempt to tame high inflation. Rising rates tend to be good for Royal Bank and its peers, as they enable the banks to generate higher net interest margins.

At the time of writing, the dividend provides a 3.3% yield.

Long-term investors have done well owning RY stock. A \$10,000 investment in the share 25 years ago would be worth about \$285,000 today with the dividends reinvested.

Canadian National Railway

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) had a rare volatile year in 2021. CN stock traded in a range of \$125 to \$168 per share. The roller-coaster moves were largely caused by the company's

efforts to buy Kansas City Southern, a smaller American rail operator with routes running through Mexico. In the end, CN walked away with about US\$700 million in net break fees after regulators frowned on the deal and KCS decided to hook up with **CP Rail**.

The turmoil resulted in a battle with a major CN shareholder and the ultimate replacement of the CEO. Now that the leadership situation is sorted out, management is focused on driving more efficiency into the business and boosting shareholder returns.

CN announced a 19% dividend increase for 2022. The company is also buying back up to 6.8% of the outstanding stock under a new share-repurchase program. CN stock looks attractive near the current price of \$156 per share. The company should benefit from the economic recovery in the United States and Canada in 2022 and is positioned well to deliver strong returns in the coming years.

A \$10,000 investment in CN stock 25 years ago would be worth more than \$550,000 today with the dividends reinvested.

The bottom line of top TFSA stocks for a retirement portfolio

Royal Bank and CN are leaders in their respective industries. The stocks have delivered strong total returns for long-term investors and still deserve to be solid anchor picks for a TFSA focused on building retirement wealth.

If you have some TFSA cash to put to work, RY stock and CN stock deserve to be on your radar.

CATEGORY

1. Investing

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1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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Date

2025/07/23

Date Created

2022/02/11

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