



TFSA Investors: 2 Top TSX Stocks to Start Your Own Pension

Description

Canadians who do not have company pension plans are increasingly using their [online brokerage](#) accounts to create self-directed TFSA [retirement](#) funds.

Why use a TFSA?

The government launched the TFSA in 2009 to give Canadian savers an extra vehicle for putting cash aside to meet their financial goals. The flexibility of the TFSA is attractive for younger investors who want to start building a retirement fund but wish to have easy access to the cash in the event of an emergency. TFSA withdrawals are not subjected to withholding taxes like [RRSP](#) withdrawals, and TFSA contribution space equal to the size of the withdrawal is put back in place in the following calendar year.

The TFSA is also a good option for those who might be in the early parts of their careers and prefer to keep RRSP contribution space open until they move into a higher tax bracket. RRSP contributions are used to reduce taxable income, so you get a bigger bang for your RRSP contribution buck as the marginal tax rate increases.

Ideally, we would all max out our TFSA and RRSP contribution limits each year, but few people have that luxury.

Best investments?

Top stocks to own inside a TFSA tend to have long track records of dividend growth supported by rising revenue and higher profits. The **TSX Index** is home to many great stocks that have delivered attractive total returns over the years.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) paid its first dividend in 1829 and has given investors a share of the profits every year since that time. The bank made it through the pandemic in good shape and is using the cash hoard it built up over the past two years to make a large acquisition. Bank of Montreal is buying Bank of the West for US\$16.3 billion. The deal expands Bank of Montreal's American operations to three of the top five U.S. markets and gives it a presence in 32 states. About 70% of the Bank of the West deposits are located in California, which is an attractive market for Bank of Montreal.

The deal is expected to be 10% accretive to Bank of Montreal's earnings in 2024 and will add US\$56 billion in loans and US\$89 billion in deposits.

Bank of Montreal raised its dividend by 25% late last year. The current distribution provides a 3.6% dividend yield.

TC Energy

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) increased its dividend by 3% for 2022. The board has raised the payout for 22 straight years and steady annual gains should be on the way.

TC Energy is working on a \$24 billion secured capital program through 2027. The company gets 95% of its revenue from create-regulated assets or long-term contracts. This makes cash flow more reliable and enables the company to provide decent dividend-growth guidance. Unexpected events can still occur to change forecasts, but the current outlook for annual dividend hikes of 3-5% should be solid.

TC Energy is a key player in the natural gas transmission and storage sector in Canada, the United States, and Mexico. Demand for North American natural gas is expected to rise in the coming years, as countries in Europe and Asia look to secure reliable sources of liquified natural gas (LNG). TC Energy will play an important role in getting natural gas from producers to the LNG facilities.

The stock looks attractive at the current price near \$71 per share and offers a 5% dividend yield.

The bottom line on TFSA investing

Bank of Montreal and TC Energy are top TSX dividend stocks to consider as anchor picks for a diversified TFSA retirement fund. The companies have long track records of paying reliable dividends and should deliver rising annual payouts in the coming years.

CATEGORY

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3. TSX:BMO (Bank Of Montreal)
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Date

2025/08/24

Date Created

2022/03/30

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