2 Top Canadian Dividend Stocks for a Self-Directed TFSA Pension

Description

Canadian investors are searching for top dividend stocks that will provide steady tax-free payout growth in their self-directed TFSA in the coming years to help offset the impact of inflation.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company based in Newfoundland with $58 billion in assets located across Canada, the United States, and the Caribbean. The operations include power production, electric transmission, and natural gas distribution businesses.

Fortis gets nearly all of its revenue from regulated assets, which means cash flow tends to be steady and predictable. That's not only good for management, who can plan capital programs for years at a time; it is also great for dividend investors who don't want to worry about geopolitical or financial shocks causing cuts to dividends or pauses in distribution hikes.

Fortis has raised the payout in each of the past 48 years and intends to increase the dividend by an average of 6% per year through 2025. The target could get increased, and the guidance extended if new projects under consideration get added to the current $20 billion capital program. Fortis also has a strong track record of making successful strategic acquisitions. It wouldn't be a surprise to see a new deal announced in the next couple of years.

The stock is trading near its 12-month highs but should still be an attractive buy-and-hold pick for a TFSA focused on passive income. At the time of writing, the stock provides a 3.5% dividend yield.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) recently raised its dividend by 28% for 2022. The increase marked the 22nd consecutive annual payout hike from the oil and gas producer. Investors have received a compound annual dividend-growth rate of better than 20% over the past two decades. That's impressive for a company that has to deal with volatile commodity markets that have seen oil and gas prices go on some extreme roller coaster rides.

CNRL has the advantage of being a producer of both oil and natural gas. On the oil side, it has diversified operations that include oil sands, heavy conventional oil, light oil, and offshore oil facilities. CNRL tends to be the sole owner of its assets. This increases risks, but it also means the company has the flexibility to quickly shift capital around the portfolio to take advantage of positive moves in the market prices for its products.

CNRL has a strong balance sheet and the financial firepower to make strategic acquisitions at cheap prices when the market hits a slump. Those assets then deliver stellar returns in times when oil and gas prices soar.

The stock has enjoyed big gains in the past year but still looks attractive even after the huge rally. CNRL is a profit machine in the current environment and investors should benefit from the aggressive share-buyback plan along with ongoing generous dividend increases.

At the time of writing, the stock provides a 3.9% dividend yield.

The bottom line on top dividend stocks to buy now

Fortis and CNRL have great track records of dividend growth and should deliver attractive total returns for investors in the next few years. If you have some cash to put to work in a self-directed retirement fund, these stocks deserve to be on your radar.

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