TFSA Pension: 2 Cheap Stocks to Start Your Retirement Savings Fund

Description

The recent pullback in the **TSX Index** is finally giving new investors a chance to buy top dividend stocks at cheap prices. It takes some courage to buy stocks when the market pulls back, but corrections offer great opportunities to boost long-term total returns in a retirement portfolio.

Bank of Montreal

Investors often overlook **Bank of Montreal** (TSX:BMO)(NYSE:BMO) in favour of its larger Canadian peers, but the stock probably deserves more attention.

The company has given investors a dividend every year since 1829, with steady growth along the way. In fact, Bank of Montreal raised the payout by 25% for fiscal 2022, and another generous hike is likely in 2023. Bank of Montreal built significant excess capital in 2020 and 2021 to ride out the pandemic and is now putting the cash hoard to work for investors.

The U.S. business is about to get much larger. Bank of Montreal is spending US$16.3 billion to purchase Bank of the West in a deal that will add more than 500 branches and expand Bank of Montreal's presence in the American market with a strong foothold in California.

Bank of Montreal has a balanced revenue stream coming from personal and commercial banking, capital markets, and wealth management operations in both Canada and the United States.

BMO stock trades near $140 per share at the time of writing compared to a 2022 high above $154. At less than 11 times trailing 12-month earnings, the stock is starting to look undervalued. Investors who buy now can pick up a 3.8% dividend yield.

Canadian National Railway

CN (TSX:CNR)(NYSE:CNI) has raised its dividend by 19% for 2022. The company is also allocating $5 billion over a 12-month period to repurchase as much as 6.8% of the outstanding stock.

CN is a very profitable company and has the power to pass rising costs through to its customers. This is an important consideration for investors in the current environment, where inflation is high and could remain elevated for some time.

CN generated $3.3 billion in free cash flow in 2021. Management is scaling back its capital outlays this year and expects free cash flow to hit $4 billion in 2022. This should set the company up to give investors another large dividend increase in 2023. CN is one of the top dividend-growth stocks in the TSX Index over the past two decades.

The company enjoys a wide competitive moat. New rail lines are not going to be built along existing routes, and CN is the only player in the industry with connections to both the Atlantic and Pacific coasts in Canada and the Gulf Coast in the United States.

The stock is down to $156 at the time of writing from more than $170 in March.

The bottom line on top dividend stocks to start a TFSA pension

Bank of Montreal and CN are top dividend payers that should deliver solid total returns for TFSA investors. If you have some cash to put to work, these stocks look cheap right now for a buy-and-hold retirement fund.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:BMO (Bank Of Montreal)
4. TSX:CNR (Canadian National Railway Company)

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