Canadians: Protect Retirement Savings With Your TFSA

Description

Retirement savings are under threat in 2022. Canadians who are saving to secure their financial futures mustn't be timid about the runaway inflation. Now is the time to appreciate the Tax-Free Savings Account (TFSA) and what it can do to prevent the erosion of your retirement fund.

The TFSA can serve as a hedge or protection against rising prices. More importantly, holding income-producing assets in the account ensures steady cash flows. If you don't want to sacrifice return potential, consider purchasing shares of **Enbridge** (TSX:ENB)(NYSE:ENB) or **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS).

Safety of dividends

Enbridge is among the actively traded stocks on the TSX in recent weeks. Most income investors prefer this top-tier energy stock for its high yield and safety of dividends. This $115.6 billion energy infrastructure company pays a generous 6.03% dividend and has raised it dividends for 27 consecutive years.

Current Enbridge investors are also up 15.49% year to date. Your $6,000 TFSA annual limit in 2022 can purchase nearly 107 shares ($56.18 per share) and produce $361.80 in annual passive income. TFSA users with available contribution rooms of at least $50,000 can earn $753.75 every quarter.

Enbridge's core businesses, namely liquids pipelines, natural gas pipelines, gas distribution & storage, and renewable energy combine to produce predictable cash flows. Renewable power is the newest but is fast growing, as the company gears up for the transition to cleaner energy.

According to management, Enbridge is well positioned to grow its business and produce higher cash flows in the future. Besides productivity enhancements, the blue-chip franchises have built-in revenue inflators. Moreover, all of them gave organic growth potentials.

Its president and CEO Al Monaco stressed that the assets of Enbridge play a critical role in delivering essential energy supply in North America. He added, "Throughout 2021, we accelerated our leadership in all aspects of environmental, social and governance (ESG) performance."

For 2022, management expects EBITDA and distributable cash flow (DCF) growths of more than 8%. In the next three years, Enbridge hopes to have $5-$6 billion in annual investment capacity, where it will prioritize $3-$4 billion to core utility-like investments.

No harm to payouts

Canada's banking sector remains the bedrock of stability, despite the massive global headwinds. BNS pays the highest dividend (4.70%) among the Big Five banks and is absolutely an ideal anchor stock in a TFSA. Furthermore, the $102.45 billion lender has endured the harshest recession and economic downturns in recent memory, including the 2020 health crisis.

The share price sunk to as low as $44.38 on March 18, 2020, due to the pandemic-induced market selloff. Still, BNS finished the year at $64.17, or 44.6% higher than its COVID low. If you invest today, the share price is $84.93. Market analysts forecast a return potential between 14.2% and 24.8% in 12 months.

BNS could pull back as inflation flares up and geopolitical tensions escalate in the coming months. However, it shouldn't worry investors, because the big bank stock tends to recover eventually. The best part is that dividend payments aren't in danger and will continue. Note than the total return in 49.4 years is 198,314.93% (16.62% CAGR).

Use your TFSA

Inflation can consume retirement savings, especially if held in cash. Allocate some for eligible investments that can earn tax-free income in a TFSA.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/02
Date Created
2022/04/27
Author
cliew