2 Top TSX Dividend Stocks to Help Build a Self-Directed TFSA Retirement Fund

Description

New TFSA investors are searching for top TSX stocks that can growth their savings and provide retirement earnings to complement other pension income.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) went through a transition process before the pandemic that enabled the company to get through the past two years in good shape. Management sold about $8 billion in non-core assets and brought four subsidiaries under the roof of the parent company. The moves shored up the balance sheet, shifted the revenue focus to more regulated assets, and cleaned up the corporate structure, making it easier for investors the evaluate the business.

The rebound in the oil and gas sector means Enbridge should see strong demand for its services in the next few years. The company moves 30% of the oil produced in Canada and the United States and 20% of the natural gas used by American homes and businesses. It is difficult to get new large-scale pipeline projects approved and built these days, so existing energy infrastructure should become more valuable.

Enbridge also has natural gas distribution utility assets and a growing renewable energy division with solar, wind, and geothermal facilities. In addition, Enbridge is looking at opportunities to build carbon-capture and storage hubs to help its customers achieve their net-zero targets as part of overall ESG commitments.

Enbridge has raised its dividend in each of the past 27 years. Management expects distributable cash flow to increase by 5-7% annually over the medium term, so ongoing payout hikes should be on way. The board bumped up the dividend by 3% for 2022. At the time of writing, the distribution provides a 6.1% dividend yield.

TFSA investors can either use the dividends to generate income or reinvest the payouts in new shares to take advantage of the power of compounding.

Enbridge stock is down a bit from the recent high, so investors have a chance to pick up the shares on a bit of a dip. Long-term holders of ENB stock have enjoyed good total returns. A $10,000 investment in Enbridge 25 years ago would be worth about $285,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with $58 billion in assets located in Canada, the United States, and the Caribbean.

The business gets 99% of its revenue from regulated operations, including power generation, electric transmission, and natural gas distribution. Fortis grows through investments in new capital projects and by making strategic acquisitions. The current $20 billion capital program is expected to increase the rate base by about $10 billion through 2026. As a result, management expects cash flow to grow enough to support average annual dividend increases of 6%. The board raised the payout annually over the past 48 years.

Fortis is another stock that has proven to be a good pick for a buy-and-hold retirement portfolio. A $10,000 investment in the stock 25 years ago would be worth close to $195,000 today with the dividends reinvested.

The bottom line on top TSX dividend stocks

Enbridge and Fortis are strong companies with long track records of dividend growth. If you have some cash to put to work in a TFSA retirement fund focused on income or total returns, these stocks deserve to be on your radar.

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aswalker