



Should You Buy CN (TSX:CNR) or TD (TSX:TD) Stock for a TFSA Pension Fund?

Description

TFSA retirement investors are searching for top TSX stocks to add to their self-directed portfolios. One popular strategy for building retirement savings involves buying quality [dividend stocks](#) and using the distributions to acquire news shares.

Canadian National Railway

CN ([TSX:CNR](#))([NYSE:CNI](#)) is a major player in the North American rail industry with a unique network of tracks that runs from the Pacific to the Atlantic in Canada and down through the heart of the United States to the Gulf Coast. Connecting three ports gives CN a competitive advantage when attracting business from domestic and international clients.

CN moves wood, cars, coal, crude oil, grain, fertilizer, chemicals, and finished goods. The business generates revenue in both Canadian and U.S. dollars. When one segment has a rough quarter, the others normally pick up the slack.

CN stock took a rare hit last year due to distractions caused by the failed attempt to buy a smaller American railway. In the end, CN came out of the process with some extra cash and the battle with a major shareholder has been resolved. A new CEO is in place and CN is squarely focused on driving more efficiency into the business while providing shareholders with attractive returns. CN raised the dividend by 19% for 2022 and is buying back up to 6.8% of the outstanding common stock.

CN's dividend yield is just 2%, but investors should focus more on the dividend growth and the total return track record. CN has increased the dividend by an average compound annual rate of about 15%.

A \$10,000 investment in the stock just 25 years ago would be worth about \$450,000 today with the dividends reinvested.

At the time of writing, CN stock trades near \$145 compared to the 2022 high around \$170.

TD Bank

TD ([TSX:TD](#))([NYSE:TD](#)) had a great 2021 and fiscal 2022 is shaping up to be a solid year, as well. TD earned adjusted net income of \$7.55 billion in the six months ended April 30, up from \$7.16 billion in the same period last year. That's impressive, given the Omicron challenges that arrived in early 2022.

Canadian retail net income in Q2 2022 rose 2% compared to Q2 2021. Net income rose 4% in the U.S. operations when converted to Canadian dollars.

TD is in the process of buying **First Horizon** for US\$13.4 billion. The U.S. bank has operations primarily located in the southeastern states. This will complement TD's existing network of branches that runs from Maine to Florida. First Horizon will add more than 400 branches and make TD a top-six bank in the American market.

TD didn't increase the dividend when it reported Q2 results, but the board gave investors a 13% raise late last year. Like CN, TD is one of the best dividend-growth stocks in the **TSX Index** with a double-digit average compound dividend-growth rate over the past two decades.

The stock trades near \$97 at the time of writing compared to the 2022 high around \$109. A \$10,000 investment in TD 20 years ago would be worth more than \$200,000 today with the dividends reinvested.

The bottom line on top stocks for a TFSA pension

CN and TD are leaders in their industries. Both stocks look cheap right now and have great track records of delivering attractive total returns to buy-and-hold retirement investors. If you only buy one, I would probably make CN the first choice today. Dividend growth should be higher in the next couple of years, and there is likely better upside potential for the share price.

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