2 Top TSX Dividend Stocks to Start a TFSA Pension

Description

Gig workers and other self-employed Canadians are using their TFSA to create self-directed retirement portfolios. One popular investing strategy to build retirement wealth involves buying top **TSX** dividend stocks and using the distributions to acquire new shares through the company's dividend reinvestment plan (DRIP). Let's look at two of these stocks.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) operates $58 billion in power generation, electricity transmission, and natural gas distribution assets in Canada, the United States, and the Caribbean. A whopping 99% of its revenue comes from regulated businesses. This means, in most cases, cash flow is predictable and reliable. That's important for retirement investors who are searching for stocks that can support steady dividend payouts.

Fortis grows through strategic acquisitions and internal development projects. Its current $20 billion capital plan is expected to boost the rate base from roughly $30 billion to more than $40 billion by 2026. This will result in higher revenue and cash flow to cover average annual dividend increases of 6% through at least 2025.

It's worth noting that Fortis has raised its dividend for 48 consecutive years. The current distribution provides a healthy 3.5% dividend yield. Furthermore, the DRIP offers investors a 2% discount on shares purchased using dividend payments.

Long-term Fortis investors have enjoyed solid returns. A $10,000 investment in Fortis stock 25 years ago would be worth about 180,000 today with dividends reinvested.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry with a current market capitalization of $116 billion. The company plays a key role in the Canadian and U.S.

economies, moving 30% of oil produced in the two countries, and 20% of the natural gas used in the U.S.

To drive growth, Enbridge continues to find new investment opportunities even in an era where it's difficult to get major new oil pipelines approved and built. The company bought an oil export platform for US$3 billion last year to capitalize on growing international demand for American oil. Enbridge is also building new natural gas pipelines to deliver fuel to liquified natural gas (LNG) facilities on the U.S. Gulf Coast. The global LNG market is expected to surge in the coming years.

In Canada, Enbridge is getting into the new hydrogen and carbon capture markets. These segments have strong growth potential as businesses strive to reduce their emissions and meet net-zero targets. In Q2 2022, the company announced $3.6 billion in new projects. The secured growth pipeline now includes $13 billion in developments with $4 billion scheduled to go into service this year.

Enbridge has raised its dividends for 27 consecutive years. Management just reaffirmed 2022 full-year earnings before interest, taxes, depreciation, and amortization (EBITDA) guidance of $15-15.6 billion. The company previously indicated that distributable cash flow is expected to increase by 5-7% per year over the medium term, so dividend increases should continue at a steady rate. At the time of this writing, the dividend provides a robust 6% yield.

25 years ago, a $10,000 investment in Enbridge would be worth just under $250,000 today with dividends reinvested.

The bottom line on top TSX dividend stocks to buy now

Fortis and Enbridge have strong track records of delivering reliable dividend growth and attractive total returns. If you have some cash to invest in a TFSA retirement portfolio, these stocks should be on your radar.

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