3 Top TSX Dividend Stocks to Start a TFSA Retirement Fund

Description

The market correction is giving new Tax-Free Savings Account (TFSA) investors a chance to buy great Canadian dividend stocks at undervalued prices to start a self-directed personal pension. One popular strategy for building retirement wealth involves owning great dividend stocks and using the distributions to buy new shares.

Bank of Montreal

Bank of Montreal (TSX:BMO) is currently Canada's third-largest bank with a market capitalization of $81 billion. The stock trades near $120 per share at the time of writing compared to a 2022 high above $154.

Bank of Montreal paid its first dividend in 1829, and investors have picked up a share of the profits every year since. This is a great track record and ongoing dividend growth is expected in the coming years. The board raised the dividend in late 2021 and increased the payout by another 4.5% when the bank reported the fiscal second-quarter (Q2) 2022 earnings.

Bank of Montreal is betting big on the U.S. economy. The company is buying Bank of the West for US$16.3 billion in a deal that will add more than 500 branches to the existing American business and give Bank of Montreal a strong position in California.

Investors who buy the stock at the current price can get a 4.5% dividend yield.

Telus

Telus (TSX:T) gets most of its revenue from mobile and internet subscription services that businesses and households need regardless of the state of the economy. This should make Telus a good stock to buy and hold through a recession.

Telus typically raises its dividend twice annually and is targeting average increases of 7-10% per year over the medium term. The company ramped up its capital program in the past few years to accelerate its copper-to-fibre transition. This should be completed in 2023 and more cash is expected to be available for distributions in the coming years.

Telus stock trades near $27 at the time of writing compared to $34 in April. The company generated strong Q2 2022 results, and investors should see good numbers for full-year 2022 and 2023. As such, the stock looks oversold right now for a buy-and-hold portfolio. Investors can currently secure a 5% dividend yield.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ) raised its dividend in each the past 22 years and hiked the payout by 29% for 2022. In addition, CNRL is paying out bonus dividends based on the amount of excess cash it has on hand at the end of each quarter. The current quarterly base dividend is $0.75 per share. Investors received a $1.50 per share bonus for the Q2 2022 results.

Canadian Natural Resources owns oil and natural gas production facilities that span the hydrocarbon spectrum. The company efficiently moves capital around the assets to take advantage of changes in commodity prices. This is one reason it has been so successful in being able to raise dividends during the cycles of the energy sector.

Oil and natural gas demand are expected to remain strong for decades and prices should stay high for the next few years.

CNQ stock trades near $75 per share at the time of writing compared to a high of $88 in June. Investors can currently get a 4% yield from the base dividend.

The bottom line on top stocks to buy for a retirement fund

Bank of Montreal, Telus, and CNRL all pay attractive dividends that should continue to grow. If you have some cash to put to work in a TFSA retirement portfolio, these stocks deserve to be on your radar.

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3. NYSE:TU (TELUS)
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