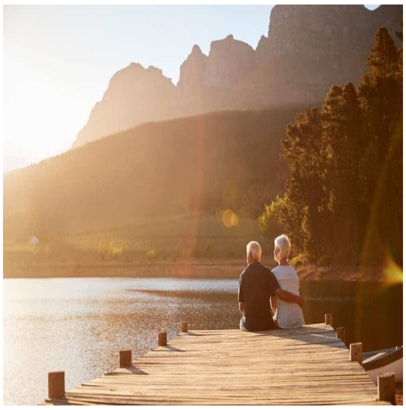

Retiring Soon? 3 TSX Stocks to Build a Reliable Reserve

Description

One should shift their focus from growth to stability, as one approaches their sunset years. But this year, markets have been brutal to growth as well as defensive names. So, investors should be more careful while picking stocks for the long term. Here are three top TSX stocks that will be useful in creating a solid retirement reserve.

Canadian Natural Resources

Energy was a disliked sector a few years back. But not anymore! The sector has some of the fast-growing companies with superior balance sheets. TSX bigwig **Canadian Natural Resources** (TSX:CNQ) has returned 60% this year, comfortably beating the **TSX Composite Index**.

Note that this has been the third consecutive year where energy stocks have outperformed. Thanks to rallying oil and gas prices, energy producers like CNQ are seeing record profits. CNQ has repaid a massive amount of debt in the last few quarters, remarkably bolstering its balance sheet.

Although TSX energy stocks have rallied much in the last few years, they could continue to deliver market-beating returns next year as well. Canadian Natural stock looks appealing from a valuation perspective. Plus, it currently offers a decent yield of 5.5%, including the special dividend.

Note that CNQ is not a defensive stock that one should have a large exposure to in their sunset years. However, its earnings visibility and strong balance sheet position will likely allow higher dividends for years to come. Moreover, its long dividend payment history and expectations of higher oil prices make it an appealing bet.

Toronto-Dominion Bank

Bank stocks usually play well amid rising interest rates. However, TSX bank stocks have lost, on average, 20% from their respective highs this year. This is because even if rates are rising, there is a considerable risk of a recession due to roaring inflation that could dent banks' earnings.

Toronto-Dominion Bank (TSX:TD) is my top bank pick for the long term. Its rapidly growing U.S. retail business and superior credit portfolio make it an attractive name among the Big Six.

TD stock is currently trading 18% lower than its 52-week high and offers a 4% yield. Bank stocks might not recover soon, given higher inflation and impending rate hikes. But TD could outperform based on its reasonable valuation and relatively stable earnings prospects.

Fortis

Utility stock **Fortis** (TSX:FTS) is one reliable defensive stock that could outperform in bear markets. It lacks growth but provides stability in the long term.

The utility generates the entire of its earnings from regulated operations, which makes its cash flows stable in all economic cycles. Whether it's a recession or a boom, stocks like Fortis grow slowly and pay regular shareholder dividends. That's why it has raised its dividend for the last 49 consecutive years — quite a feat in these uncertain markets.

Fortis intends to increase its dividends by 5-7% annually for the next few years. Considering its massive rate base and earnings stability, FTS will likely deliver on its payout commitments. FTS stock has been weak this year, losing 10% of its market value year to date. But it looks fundamentally strong due to its earnings and dividend stability. If you have a time horizon long enough to hold it into multiple interest rate cycles, FTS will likely create a large reserve.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CNQ (Canadian Natural Resources Limited)
2. TSX:FTS (Fortis Inc.)
3. TSX:TD (The Toronto-Dominion Bank)

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vinitkularni20