2 Steady-as-She-Goes Stocks Everyone Needs in Their TFSA

Description

Everyone should be investing in their Tax-Free Savings Accounts (TFSA) because what's earned inside is tax free. For money that you plan to invest for a long time (at least five years), you can consider these steady-as-she-goes stocks.

They have above-average price resilience versus the market and their peers, which suggests their businesses are more defensive.

RBC stock

Royal Bank of Canada (TSX:RY) is the leader of the Big Six Canadian bank stocks. Yahoo Finance shows that RBC stock has a recent beta of 0.73. So, it has below-market volatility. Other than that, if you compare the RBC stock price action to that of other big Canadian bank stocks, you'll notice that it generally holds up better.

Digging deeper, Royal Bank has a diversified business mix across personal & commercial banking (40% of fiscal 2022 revenue), wealth management (30%), Capital Markets (18%), insurance (7%), investor & treasury services (4%). Moreover, geographically, its revenue was focused in North America with approximately 59% from Canada and 25% from the United States.

The bank is about to become even more diversified! In late November, RBC announced its intention to acquire **HSBC's** Canadian operations. The transaction would expand RBC's offerings for international clients across the areas of liquidity management, trade finance, international cash management, sustainable finance, and wealth and personal banking. Ultimately, the transaction would help RBC better serve global clients looking to invest and grow in Canada.

At just under $128 per share at writing, the top Canadian bank stock is fairly priced and offers a safe dividend yield of 4.1%. It just raised its quarterly dividend by 3.1% last month, which also equates to an above-average year-over-year increase of 10%.

CN Rail

Canadian National Railway (TSX:CNR) is another leader in its respective industry. It's one of the largest railroads in North America that brings in net earnings of about $5 billion and free cash flow of about $4 billion per year.

It's the backbone of the economy, as it transports all kinds of products, including automotive, coal, fertilizer, temperature-controlled cargo, forest products, grain, metals and minerals, petroleum and chemicals, and consumer goods.

The higher inflation and interest rate environment has had little impact on the business, as it was able to increase revenue at a higher rate than cost of sales. As a result of its defensive business, the stock delivered total returns of approximately 10% year to date. This speaks a lot versus the Canadian stock market that returned about -5% in the period.

CN Rail is a proud Canadian Dividend Aristocrat with about 26 consecutive years of dividend increases. For reference, its 10-year dividend-growth rate is 10.4%. At about $166 per share at writing, it's fairly priced and yields 1.8%.

The Foolish investor takeaway

If you're looking to grow your wealth safely for the long haul, you should look into adding RBC and CN Rail stocks in your TFSA. They are wonderful businesses, which is why there are no discounts in the stocks right now, despite the general market trading lower this year. However, if you continued to add to your positions on dips, they would be worth more over time.

> "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."
> *Warren Buffett*

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CNR (Canadian National Railway Company)
2. TSX:RY (Royal Bank of Canada)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin

4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kayng
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/07/02
Date Created
2022/12/25
Author
kayng