



## How Telus Corporation, Royal Bank of Canada, and Suncor Energy Inc Can Slowly Make You Rich

### Description

Imagine being a typical millennial investor.

Chances are, you're struggling with student loan debt, or trying to figure out a way into the housing market, which is seemingly impossible to someone on a starting salary. Job security isn't nearly what it used to be, and stubborn baby boomers just won't retire so you can get that elusive promotion. It seems like the cost of everything continues to rise, and the pressure of keeping up with your peers is constant, thanks to social networks.

On top of all that, you know that if you start investing now, in your 20s, that you'll end up doing much better than someone who waited a decade to get started. Besides, investing will get even harder in your 30s, once you have kids to worry about.

Fortunately, starting a solid portfolio isn't exceptionally difficult. Picking high-quality stocks is often easier said than done, but investors have one metric they can use to identify the best, and that's dividend growth. If a company has a sustained history of raising its dividend, chances are it's a solid investment.

Let's assume that an investor is able to scrape together \$10,000 on her 25th birthday. She puts that money away in her RRSP for four decades, letting it grow tax-free until retirement age. Just how rich can this investor become just by investing in these three stocks?

Her first pick is **Telus Corporation** ([TSX: T](#))([NYSE: TU](#)). She's impressed with the company's terrific wireless results, the growth in its television business (up 20% year over year), and the fact that the company consistently has the highest-ranked customer service in the business.

Additionally, the company pays a 4% dividend, and has committed to buying back \$1 billion of its shares over the next year. The millennial investor is attracted to this, so she plunks down \$3,333 and buys 87 shares. Over the last 15 years, the company's shares have returned 8.6% annualized, after dividends were reinvested. I'm confident it can replicate those returns.

At the end of 40 years, the shares are worth more than \$90,000.

**Royal Bank of Canada** ([TSX: RY](#))([NYSE: RY](#)), meanwhile, has done much better. Shares of Canada's largest bank have returned 14.4% over the last 15 years, thanks to terrific growth in the bank's mortgage business, the expansion of its operations in the United States, and prudently weathering the financial crisis. Shares currently yield 3.5%, and the company has increased the dividend annually since 2010.

A 14.4% return is pretty generous. For the sake of argument, let's assume a 10% return going forward for Royal Bank. After 40 years, a small \$3,333 investment would be worth more than \$150,000.

Finally, let's look at **Suncor Energy Inc** ([TSX: SU](#))([NYSE: SU](#)), Canada's largest oil sands operator. The company also has significant production all around the country, as well as a large downstream business, including refineries and more than 1,500 retail locations.

Suncor came out with earnings yesterday that were a little disappointing. Production was down, but the company made up for it by announcing a nearly 25% hike in its dividend. Its shares now yield 2.5%.

Over the last 15 years, Suncor has returned more than 13%, once you include reinvested dividends. Again, like with Royal Bank of Canada, I'll cut a little off the top and assume it returns 11% going forward. After 40 years, shares in Suncor would be worth \$216,000 — and that's *after* cutting a couple of percentage points off historical returns to be conservative.

All in all, based on conservative historical returns, our investor's \$10,000 investment would be worth more than \$455,000. Since one can assume these stocks would continue to pay dividends, they'd spin out approximately \$15,000 per year after four decades of growth.

For young investors, the answer is simple. Invest what you can now into high-quality Canadian companies. I'm not saying you can replicate the results I've demonstrated here, but you can achieve investing success. The best time to invest was 20 years ago. The second best time is right now. You can't succeed if you don't start.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TU (TELUS)
4. TSX:RY (Royal Bank of Canada)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:T (TELUS)

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