Toronto-Dominion Bank: The Income Investing Chart You Have to See

Description

What if your portfolio doubled as an ATM, cranking out cash while you slept, watched TV, and read the paper?

What if every month a steady stream of dividends flowed into your brokerage account, generating yields of 10%, 25%, or even 50% on your original investment? What if you earned dividend income so large and safe, you could use it to pay off your mortgage, take a dream vacation, or spoil the ones you love?

I know it's hard to believe for some. However, thousands of ordinary investors are earning dependable income from dividend-paying stocks even without MBAs, Ph.Ds, or Bay Street pedigrees. Of course, you won't earn double-digit payouts overnight. However, even a dividend trickle can become a raging river if given enough time.

The **Toronto-Dominion Bank** (TSX: TD)(NYSE: TD) is a great example of what compound growth can do to a stock's yield. Over the past two decades the company has increased its dividend at a 12% annual clip. If you had bought and held the stock over that time, the annual yield on your original investment would be more than 35% today.

To see what I'm talking about, take a look at the chart below. This simple graphic shows the incredible power of small dividend hikes compounded over time.
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Source: Company filings

Let's play this hypothetical investment out another 10 years. Assuming the bank can continue to grow its dividend at an 6% annual rate, the yield on your original investment would increase to 64% by 2024. You only need to make a few investments like that in your lifetime to generate serious wealth.

TD Bank demonstrates the benefits of buying and holding wonderful businesses over the long haul. However, there are dozens of other companies in Canada that have generated similar returns.

Take Canadian utility giant **Fortis Inc** (TSX: FTS), for example. Over the past 20 years the company has increased its distribution almost three-fold. If you held the stock over that entire period, your yield on cost would be 21% today.

North American pipeline shipper **Enbridge Inc** (TSX: ENB)(NYSE: ENB) has done even better. Many income investors skip over this stock because of its meager 2.6% yield. However, over the past two decades the company has increased its dividend at an annual rate of 9%. If you had bought and held Enbridge shares over that time, the yield on your original investment would be 37% today.

None of these stocks sported yields that would have knocked your socks off two decades ago, but though the magic of compounding, even a modest dividend can become a double-digit payout. All you need is a little bit of time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)
5. TSX:TD (The Toronto-Dominion Bank)

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