Millennials: 2 Top Dividend-Growth Stocks to Help You Retire Rich

Description

Young investors are relying on investments in their TFSAs and RRSPs to help them prepare for a comfortable life in the golden years.

This wasn't always necessary, but most companies no longer offer generous pension plans, and Canadians are now forced to take more control of their retirement planning.

Fortunately, a simple investing strategy can help millennials meet or even greatly exceed their retirement-funding needs.

The process involves buying dividend-growth stocks and reinvesting the distributions in new shares. Over time the power of compounding can turn a small initial investment into a healthy nest egg.

Which stocks should you buy?

The best companies have long track records of dividend growth that's supported by rising revenues. Ideally, these firms hold strong positions in industries with high barriers to entry.

Here are the reasons why **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Fortis Inc.** (TSX:FTS) are solid picks to help get the retirement ball rolling.

Enbridge

Enbridge is a pipeline giant. The company owns a vast infrastructure portfolio that stretches across Canada and runs right through the heart of the United States. Pipelines tend to have a monopoly on the routes they serve, and most of Enbridge's assets act like giant tollbooths.

Recent weakness in the oil sector has some pundits concerned Enbridge will see less demand for new infrastructure. That might be the case in the near term, but Enbridge has more than enough projects on the go to keep it busy until the energy sector recovers.

In fact, Enbridge plans to complete $18 billion in new projects over the next three years. As the assets go into service the company should generate sufficient additional revenue and cash flow to support annual dividend growth of 8-12%.

If the oil rout drags on, Enbridge has the financial firepower to grow through acquisitions.

The stock has made some of its long-term holders quite rich. A $10,000 investment in Enbridge just 15 years ago would be worth $108,000 today with the dividends reinvested.

Fortis

Fortis is a natural gas distribution and electricity generation company with assets located in Canada, the United States, and the Caribbean. The company has a long history of growth through acquisitions as well as organic development.

Fortis spent US$4.5 billion to buy Arizona-based UNS Energy two years ago. The integration went well, and investors are enjoying the benefits of a strong U.S. dollar.

The company completed the expansion of its Waneta hydroelectric facility in British Columbia last year. Additional revenue coming from Waneta and UNS pushed 2015 earnings to a record $2.11 per share, and shareholders received a nice 10% increase to the dividend as a result of the boost to cash flow.

Fortis is currently in the process of buying **ITC Holdings Corp.**, a transmission company, for US$11.3 billion. The additional revenue stream should support annual dividend hikes of at least 6%.

Dividend investors like Fortis because the company gets the majority of its revenue from regulated assets. This means revenue and cash flow should be both predictable and reliable.

A $10,000 investment in Fortis 15 years ago would be worth $95,000 today with the dividends reinvested.

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1. Dividend Stocks
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1. Editor's Choice

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