Dividend Investors: 2 Top Stocks to Help You Retire Rich

Description

Canadian companies are cutting back on pension programs and shifting more work to contract employees.

This means most young people are responsible for putting extra cash aside to help fund their living expenses in the golden years.

One way to do this is to buy dividend-paying stocks inside your RRSP or TFSA and reinvest the distributions in new shares. Over time, the compounding effect can turn a modest initial investment into a significant nest egg.

Let's take a look at **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to see why they might be good picks.

Royal Bank

Royal Bank earned just under $10 billion in 2015 and is well on the way to breaking through the milestone this year.

The company reported fiscal Q2 2016 net income of $2.57 billion and has earned more than $5 billion year-to-date.

Royal Bank relies on personal and commercial banking for about half (52%) of its revenue, but it also has strong operations in other sectors.

Capital markets contribute about 23% of revenue, wealth management adds 13%, and insurance kicks in 7% of the take. The remaining 5% comes from investor and treasury services.

The balanced revenue stream is a big reason for the company's strong results. When one segment has a weak quarter, the others normally pick up the slack.

With its recent purchase of City National, a private and commercial bank based out of California, Royal

Bank is betting on the U.S. to help drive future growth. The US$5 billion deal gives Royal Bank a strong platform to expand its presence in the sector, and investors could see additional deals in the coming years.

Royal Bank has paid a dividend every year for more than a century. The current payout yields 4%.

A $10,000 investment in Royal Bank 20 years ago would be worth $218,000 today with the dividends reinvested.

Suncor

Most investors are giving the energy sector a wide berth right now, and that is probably a good idea when it comes to pure-play producers with weak balance sheets.

Suncor is a different beast.

The company is Canada's largest integrated energy company with large refining and retail operations to complement the upstream oil sands business.

The oil rout has been tough on the production part of the operations, but the other segments are doing quite well.

In fact, the marketing arm, which includes the four refineries as well as the nearly 1,500 Petro Canada retail locations, enabled the company to report positive free cash flow in the second quarter.

Suncor has a rock-solid balance sheet and is taking advantage of the downturn to acquire additional assets at fire-sale prices. When oil recovers, investors should reap the benefits of the recent purchases.

The company isn't on most dividend radars, but stock actually pays a healthy distribution that yields 3.2%.

What about returns?

A $10,000 investment in Suncor 20 years ago would be worth $166,000 today with the dividends reinvested.

Is one a better bet?

Both stocks are strong long-term picks for an RRSP or TFSA portfolio. If you only have the cash to buy one, I would give the nod to Royal Bank today for its higher yield.

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1. NYSE:RY (Royal Bank of Canada)

2. NYSE:SU (Suncor Energy Inc.)
3. TSX:RY (Royal Bank of Canada)
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