How to Make Your Retirement Savings Grow Faster

Description

One constant challenge that many investors face is how to find safe investment avenues to grow their savings faster and consistently.

If you're saving for your retirement, you may not want to add high-risk stocks in your portfolio just because the rate of return is high. While picking companies for your portfolio, you don't want to expose your investments to high-risk growth strategies.

The reason is simple: you don't want to put your hard-earned dollars at stake for an idea or product that has not yet been tested or belongs to a dying industry.

To achieve stable and growing returns, smart investors pick companies that are in mature growth cycles and are crucial to our daily lives. Utilities, banks, telecom operators, pharmaceuticals, and retailers are among the top sectors that are safe and consistently generate long-term returns for their investors.

Investing in dividend-growth stocks

After you've made up your mind about which sectors of the economy are safe to invest in for your retirement, the next step is to pick some nice dividend-growth stocks.

Investing in companies that have long histories of paying and growing dividends is a proven way to grow your retirement savings faster. Growing dividends not only protect your investments from the effect of inflation, but they also help your savings to grow faster if you re-invest your profits to purchase more of the company's shares.

To take the full advantage of compounding, I strongly recommend you include some monthly dividend-paying stocks as well. Compounding multiplies your wealth much faster if you get monthly dividend.

Here is simple math to show you how you can inflate your portfolio by a monthly reinvestment plan. Let's say you owned 1,000 shares of a $10 stock at a 5% annual dividend. At the end of the year, you'll have earned 5% at $500.

Let's assume you start getting monthly dividend for the same investment rather than annually. If you received monthly dividends, you could reinvest those dividends each month and earn 5.12% at $511.62. This is assuming the company paying the dividend has a dividend-reinvestment plan set up.

Enbridge Inc. (TSX:ENB)(NYSE:ENB) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) are among the top stocks from the energy and infrastructure space which provide consistent and growing income.

Adding some top banks is also a smart idea for long-term investors. Names such as **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) have long histories of growing their payouts.

To earn monthly dividends, I particularly like reliable Canadian REITs. **Allied Properties Real Estate Investment** (TSX:AP.UN) and **RioCan Real Estate Investment Trust** (TSX:REI.UN) are my favourites.

Bottom line

Investing in dividend-growth stocks and holding them in your portfolio for long time is a tested strategy to grow your savings faster. There is no doubt that equity markets are riskier than investing in GICs or government bonds, but if your time horizon is long, investing in stocks is a sure way to make more money.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:CNI (Canadian National Railway Company)
3. NYSE:ENB (Enbridge Inc.)
4. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
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