Retire Early With These Top Dividend-Growth Stocks in Your RRSP

Description

Many of us look for a magic formula to retire early. But there is no such shortcut available to Canadians making an average income.

For the majority, the road to early retirement involves a strong commitment and an adjustment to the spending pattern early in our careers.

If you want to retire early, you must start saving early and aggressively. Some financial planners suggest at least 30% of your income should go to retirement savings. And if you start saving early in your life, the chances are that you will be able to get a higher saving rate on your portfolio.

One way to achieve this goal is to invest in stocks, meaning you are willing to taking on more risk. For early starters, this makes sense, because they will be in a much better position to ride through the market downturns, which you are unlikely to escape over a long-term investment plan.

In stocks, I always recommend investing in companies that have demonstrated histories of dividend growth. By picking dividend-growth stocks, you can reach your early retirement goals even faster.

Here are two top dividend-growth stocks that will help you get there faster.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE runs Canada's largest telecom network. It is the kind of business that fits nicely in your retirement portfolio due to its dominant market position, which provides stability and growth to its earnings.

With an yearly dividend yield of 4.8%, BCE stock offers one of the best returns among mature Canadian companies. Investors have been getting the dividend cheques for the past 134 years from this great Canadian company.

A $10,000 investment in the company a decade ago would be worth more than $31,000 today, including reinvested dividends. That's the kind of investment that can really help you retire early.

In its latest earning report, BCE added 117,182 net postpaid wireless subscribers — the highest volume in its third quarter in five years and above analysts' expectations of 111,000.

That performance helped the company to beat analysts profit estimate, making $770 million in the three months ended Sept. 30 — up 2.4% from $752 million in the same period last year.

Canadian National Railway Company (TSX:CNR)(NYSE:CNI)

CNR is another solid dividend stock which can help you to achieve your retirement goals. The company runs a 100-year-old railway business and has a strong leadership position in the transportation sector. The company operates in a duopoly, where the **Canadian Pacific Railway Limited** is the only significant competitor.

CNR pays $0.4125 quarterly dividend, which is 10% higher when compared to the same period last year. Over the past five years, CNR's annual dividend distribution has doubled to $1.5 a share — a great incentive for its investors, who also benefit from explosive growth in CNR's share value.

CNR is also greatly benefiting from strong economic growth in North America, which is increasing the demand for merchandise shipment. To expand its network and meet the needs of an expanding North American economy, CNR is undertaking a $2.7 billion of capital program in 2017, which is expected to improve the profitability going forward.

The bottom line

BCE and CNR are the kind companies that don't get much attention these days due to their matured businesses and normal rate of return. But if you are in it for a long haul, these solid investments could get you an early retirement.

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