2 Top Stocks to Help Build Your Retirement Wealth

Description

For young savers who are just starting to build a portfolio for their retirement, investing in dividend growth stocks is important for two reasons.

First, dividend growth stocks are usually more stable and reliable investments. These stocks are backed by the businesses that generate hefty cash flows due to their dominant position in the industry — a position that's rarely challenged during any adverse economic situation. I'm talking about Canadian telecom operators, power and gas utilities and banks.

Second, investing in dividend growth stocks is a great way to unlock the power of compounding interest. As you grow dividends each quarter, you are better off to re-invest that profit back into the business by buying more of those shares. As years tick by, you'll realize how much more wealth you have created by just re-investing your dividends.

With this in mind, here are two top Canadian dividend stocks that can help you started on your journey to build your nest egg.

Bank of Nova Scotia

Canadian banks have been offering a solid avenue to savers for generations. **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), Canada's third-largest bank, distributes more than 40% of its income in dividends each year, making it one of the best financial stock to own.

BNS has paid dividend to investors every year since 1832. It's also a great dividend growth story. Bank of Nova Scotia has hiked its payouts in 43 of the last 45 years.

In 2017, investors got a 7% jump in their payouts in two dividend hikes, and I see a more robust growth going forward at a time when the bank is expected to generate $7-8 billion of excess capital by 2020.

Trading at $75.70 at the time of writing, the bank's stock is down about 7% this year following its aggressive buying activity in South America — and making some investors nervous. But that slump in its share price has boosted the annual dividend yield to a juicy 4.3% level. With $3.05 a share annual payout, Bank of Nova Scotia is a solid banking stock to include in your retirement portfolio.

Telus Corporation

Like banks, Canadian telecom operators offer another avenue for young savers to earn stable and growing dividends.

In Canada, the telecom market is divided among four players that control about 80% of the broadband and video market and more than 90% of the wireless market.

Among the top three operators, Telus Corporation (TSX:T)(NYSE:TU) offers an attractive opportunity to earn dividend income and benefit from the company's growth potential. Telus is targeting 7-10% growth in its dividend each year until 2019. Given the company's ability to generate more cash from its growing customer base throughout Canada, this target doesn't seem too ambitious.

With a current dividend yield of 4.58%, Telus pays a quarterly dividend of $0.505 a share, which translates into $2.02 per share annually. Telus is well on track for 2018, marking the 15 consecutive years in which it has hiked its annual dividend.

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