3 Dividend-Growth Stocks to Help You Retire Early

Description

Early retirement might seem likely an unattainable dream, but some people manage to pull it off.

Let’s take a look at a few of the tricks savers can use to achieve early financial freedom.

Dividend reinvestment

Owning dividend-growth stocks and investing the distributions in new shares sets off a powerful compounding process that is essential to helping young investors build substantial retirement savings.

The best stocks to own are generally market leaders with strong businesses and long track records of dividend growth. The TSX Index has a number of such companies, including **Toronto Dominion Bank** (TSX:TD)(NYSE:TD), **Fortis** (TSX:FTS)(NYSE:FTS), and **Suncor Energy** (TSX:SU)(NYSE:SU).

TD just reported another quarter of impressive earnings, generating profits of more than $3 billion. The bank is generally viewed as the safest pick among the big Canadian banks due to its reliance on retail banking activities. Going forward, the most significant reason to own TD is probably its large U.S. presence. The bank has built a strong U.S. operation that is benefiting from a healthy U.S. economy and recent tax cuts. In addition, the bottom line gets a nice boost when the U.S. dollar strengthens against its Canadian counterpart. TD raised its dividend by close to 12% earlier this year, slightly above its annual dividend-growth average over the past two decades.

Fortis is a utility company with $50 billion in assets located in Canada, the United States, and the Caribbean. Like TD, Fortis has invested heavily in opportunities in the United States and now generates more than 60% of its revenue south of the border. Most of the businesses operate in regulated environments, meaning cash flow is reliable, which is appealing to dividend investors. Fortis has raised its dividend in each of the past 44 years.

Suncor might not come up as a regular pick for a dividend-focused portfolio, but the company is actually a dividend star. The integrated nature of Suncor’s operations, which include production, refining, and marketing divisions enables Suncor to get global pricing on a majority of its output. In addition, the downstream assets provide a nice hedge against falling oil prices. Suncor raised the dividend by 12.5% for 2018.

Other strategies to help you retire early?

Maxing out company pension contributions and taking advantage of stock purchase programs are great ways to fast-track your retirement savings. Many businesses will match or kick in an additional percentage on every dollar you allocate from your salary to the company pension plan and/or the share-purchase program, especially if you work for a large corporation. This is free retirement money and can be the easiest way to quickly grow your retirement fund.

Eliminating high-yield debt is also essential if you plan to retire early. In fact, before you put a dime into stocks, extra money should be used to pay off credit card debt, as your investment returns are unlikely to outstrip the interest rate you pay on the charge cards. Credit cards have great points programs and cash back features that should be utilized, but the full balance must be paid every month.

The bottom line

Early retirement is possible, and not just for the 20-something tech gurus that hit it big on an IPO. It takes time and discipline, and most people will still be punching the clock at the age of 45 or 50, but with a bit of patience and perseverance, many investors have a shot at retiring five or 10 years sooner than expected.

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TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:FTS (Fortis Inc.)
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