

# TFSA Investors: These 2 Dividend Growth Studs Could Make You a Millionaire

## Description

Who couldn't use a million dollars?

The good news is getting to seven figures isn't nearly as difficult as it used to be. In fact, if you save religiously and get at least half-decent investment returns, getting there is inevitable. It's just a matter of time.

TFSAs are the preferred investment vehicle of a wannabe millionaire. They currently allow you to invest \$5,500 each year into the account tax free. In a few days, the limit will rise to \$6,000.

As the years turn to decades, TFSA investors will find themselves with an asset spinning off thousands of dollars in dividends each year. These dividends can then be withdrawn, thereby funding your retirement while keeping the overall tax bill nonexistent.

What a perfect retirement.

The only thing left for investors to do is choose great stocks today. Here are a couple to get you started.

### Richelieu Hardware

**Richelieu Hardware Ltd.** ([TSX:RCH](#)) doesn't get much attention, but it should. It has quietly been making investors rich since its 1996 IPO.

Richelieu is in the home improvement distribution space. It sources new and unique products from manufacturers, and then sells them to everyone from home improvement stores to home builders to independent contractors.

It has traditionally used two growth avenues to increase the size of the business. It has acquired rival distributors, especially in the United States, which has allowed the company to move into new geographic markets. It has also purchased various product manufacturers.

Growth has truly been impressive. Revenue has almost doubled since 2011 and is on pace to crack \$1 billion in 2018. Net income has grown from \$39 million to \$69 million in the same period. And perhaps most amazingly of all, the company did this while reducing the share count by seven million shares. Normally acquisitive companies issue stock rather than buying it back.

This has translated into great returns. Including reinvested dividends, Richelieu shares returned 16.4% annually over the last decade. That's enough to turn a \$10,000 investment into one worth just over \$45,000.

For years Richelieu traded with a growth stock's valuation. Shares are down nearly 40% on the year, which has pushed the P/E ratio to a much more reasonable level. The stock trades at less than 18x next year's projected earnings, which is a fair price to pay for a company with a lot of growth potential.

## Telus

**Telus Corporation** ([TSX:T](#))([NYSE:TU](#)) isn't a sexy growth stock like Richelieu, but it's still a solid choice for any portfolio.

It's hard to not be impressed with the wireless business, which makes up the bedrock of the company. Customers sign up for multi-year contracts, and Telus' employees do a great job convincing them to stick around once that obligation expires. It has the lowest churn among its peers in Canada.

In short, wireless is a great business. It's something you want to own.

Telus' other businesses are pretty good too. The company's internet business has the power to consistently raise prices, and it's new enough entrant into the television game that it is still growing that business. Compare that to its largest competitor out west, **Shaw Communications**. Shaw has been consistently losing TV subscribers for years.

Despite not posting a whole lot of top-line growth, Telus still manages to grow its bottom line at a nice clip each year. It rewards shareholders by both increasing the dividend and buying back shares. The payout per share has increased from \$0.36 on a quarterly basis five years ago to \$0.545 today, which is good enough for 9% annual growth.

Although Telus shares haven't done quite as well as Richelieu's, it has still been a solid investment over the last decade. A \$10,000 investment made in late December 2008 is worth just under \$40,000 today if dividends were reinvested. That's good for an annual return of 14.7%.

## The bottom line

Becoming a TFSA millionaire is as easy as saving regularly and putting your cash to work in Canada's best stocks. Richelieu Hardware and Telus are both great choices. They've both delivered terrific returns over the last decade. There's no guarantee these results repeat themselves, but I like their chances.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:RCH (Richelieu Hardware Ltd.)
3. TSX:T (TELUS)

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