



How \$100,000 in Your RRSP Can Become \$1 Million in 20 Years

Description

Canadian savers are using their self-directed RRSP accounts to reduce their current tax bill and set some cash aside for the golden years.

Couples with a bit of saving discipline could quite easily have \$100,000 sitting in their RRSP portfolios today, and while getting that to grow to \$1 million might sound like an impossible task, history suggests it is very possible, and in a reasonably short time frame.

The trick lies in the power of compounding. Investors who own quality dividend-growth stocks inside the RRSP can invest the full value of distributions in new shares. Over the course of a few decades, the portfolio slowly grows and can eventually become a significant nest egg.

Let's take a look at two top Canadian stocks that have generated significant returns over the past two decades and might be interesting picks for your [RRSP holdings](#) today.

Enbridge ([TSX:ENB](#))([NYSE:ENB](#))

Enbridge is North America's largest energy infrastructure company with the planet's longest crude oil and liquids transportation system that includes more than 27,000 km of active pipelines.

The company is also Canada's largest natural gas distributor and has renewable energy assets in operation or under construction with the capacity to generate 1,750 megawatts of power.

In total, Enbridge transports about 25% of North America's crude oil and 22% of its natural gas.

Enbridge raised the dividend by 10% for 2019 and intends to bump it up by another 10% in 2020. Beyond that time frame, long-term distributable cash flow is expected to grow at 5-7% per year, so steady dividend increases should continue. The current payout provides a yield of 6%.

A \$10,000 investment in Enbridge 20 years ago would be worth more than \$110,000 today with the dividends reinvested.

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#))

Investors often skip Bank of Nova Scotia in favour of its two larger Canadian peers, but that might not be the best move today.

Why?

Bank of Nova Scotia has invested billions of dollars to build a significant international presence with a specific focus on Mexico, Peru, Chile, and Colombia. The four countries form the core of the Pacific Alliance trade bloc, which was set up to promote the free movement of goods and capital. In total, more than 200 million people live in the four markets, and banking penetration is much lower than in developed countries.

Revenue and earnings growth in the international division is outpacing the Canadian operations, and the group already accounts for roughly 30% of profits. Over the next 20-30 years, middle-class expansion in Latin America should bode well for Bank of Nova Scotia.

The stock appears oversold right now and offers an attractive 4.5% [dividend](#) yield.

A \$10,000 investment in Bank of Nova Scotia 20 years ago would be worth \$95,000 today with the dividends reinvested.

The bottom line

Enbridge and Bank of Nova Scotia are just two of the many TSX Index stocks that have generated similar returns. A \$100,000 portfolio invested in these companies two decades ago would be worth more than \$1 million today.

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