



Attention Wealth Builders: 2 Top TSX Index Stocks That Have Made Investors Rich

Description

Planning for retirement can take many forms, and while no single strategy is the best, there are examples of proven methods that have delivered [strong returns](#) for decades.

Some people have made fortunes investing in assets such as real estate, art, or even vintage wine. Going that route requires specific knowledge and extensive time spent searching for the right opportunity.

Another popular option for building wealth involves buying high-quality dividend-growth stocks and investing the distributions in new shares. Research is required here as well, but resources are easily and readily available to the general public, which makes the process easier.

Let's take a look at two companies that have generated great returns for investors and should be solid buy-and-hold picks today.

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#))

CN began trading as a public company in the late 1990s and investors who hopped on the train in those early days have ridden the company's growth to impressive returns.

CN is somewhat unique in the North American rail industry in that it is the only company in the sector that has tracks connecting three coasts. This is a competitive advantage that should endure. The odds of competing rail lines being built along the same routes are pretty much nil, and attempts to merge rail operators tend to run into regulatory roadblocks.

CN realizes it still has to compete with trucking companies and other rail carriers on some routes and the management team is making the necessary investments to defend the company's leadership position. CN is spending a record \$3.9 billion in 2019 on new locomotives, additional rail cars, and network upgrades to make sure it keeps up with growing demand for its services and operates as efficiently as possible.

The business generates significant free cash flow and the board is good about sharing the profits with investors. CN raised the dividend by 18% for 2019 and has a compound annual [dividend growth rate](#) of about 16%.

A \$10,000 investment in CN just 20 years ago would be worth about \$250,000 today with the dividends reinvested.

Royal Bank ([TSX:RY](#))([NYSE:RY](#))

Royal Bank generated fiscal 2018 profits of \$12.4 billion. That's more than \$1 billion in earnings every month!

The bank is a giant in the Canadian financial sector with a current market capitalization of close to \$150 billion. Despite its size, the company continues to grow earnings at a steady rate and that trend is expected to continue. Management is targeting earnings-per-share growth of 7-10% over the medium term. As a result, investors should see the dividend continue to grow at a similar pace.

Royal Bank is investing heavily in its digital initiatives to ensure it remains competitive in a world where social media companies, phone makers, and internet retailers are all trying to get between the bank and the consumer. Disruption is inevitable, but Royal Bank has the financial means to compete, and while banks are facing new competition, their core businesses should continue to be lucrative for decades.

The stock isn't as cheap as it was in December but still appears attractively priced. The current dividend provides a yield of 4%.

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

The bottom line

The TSX Index is home to many top companies that have generated significant long-term returns for investors. Owning industry leaders that have strong track records of revenue growth and rising dividends should continue to be attractive for Canadian savers.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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