A Top TSX Index Stock to Help Millennials Retire As Millionaires

Description

Retirement planning might not be top of mind for young Canadians in the early years of their careers.

This isn't a surprise, as paying off school debt, saving for a house, or putting funds into RESPs could all take priority as cash allocations for those who are recently out of school or just starting their families. Let's face it, the golden years are decades down the road and there is only so much money left over after the bills are paid.

However, the earlier the millennials start setting funds aside for retirement, the smaller the overall contributions should be to help them hit key retirement goals.

One proven technique for building retirement wealth involves owning reliable dividend stocks and using the distributions to acquire new shares. The strategy takes advantage of a powerful compounding process that can potentially turn relatively small initial investments into a large nest egg over time. In fact, a million dollar retirement fund is quite possible.

Which companies should you buy?

The best picks tend to be market leaders with growing businesses and tracks records of steady dividend growth. Let's take a look at **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) to see why it might be an interesting choice to get you started.

TD

TD generated fiscal 2018 adjusted net income of about $12 billion, which is a nice chunk of change and investors should see long-term growth continue for the bank.

TD is best known for its strong retail banking operations in Canada, but the company is also a significant player in the American market, with locations serving clients right along the east coast of the country. In total, TD actually operates more branches south of the border than it does in Canada.

The U.S. operations provide investors with a great way to get exposure to the American economy, and

TD's earnings can get a nice bump when the U.S. dollar strengthens against the loonie. The U.S. business also serves as a hedge against potential economic shocks in Canada.

While much of the bank's investment activity has focused on the United States, growth opportunities still exist in Canada. TD beefed up its Canadian wealth management business last year, with the $792 million acquisition of Saskatchewan-based Greystone. The deal added $36 billion in assets under management, making TD's asset management group the largest in Canada. Wealth management deals have been popular in the sector as banks search for lucrative additional earning streams in the face of a potential slowdown in the housing market.

TD raised its dividend by 10% for 2019 and has increased the payout by a compound annual rate of better than 11% over the past two decades. The existing distribution provides a yield of 3.9%.

Long-term investors have done well with this stock. A $10,000 investment in TD just 23 years ago would be worth more than $250,000 today with the dividends reinvested, which means that anyone who held $20,000 in TD stock would have a $1 million retirement portfolio.

The bottom line

TD isn't the only Canadian stock that has generated significant long-term returns for investors, and other companies could certainly outperform the bank in the next 25 years. That said, TD remains an attractive pick, and deserves to be on your radar when putting together a list of stocks to launch a self-directed TFSA or RRSP portfolio.

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aswalker