RRSP and TFSA Investors: 2 Top Dividend Stock to Help You Retire Rich

Description

Relaxing by the pool in a sunny destination during the winter and living at the cottage the entire summer might appear to be a distant dream for most Canadians, but careful retirement planning can make it happen.

Everyone has a different financial situation that will determine when and how retirement will occur. Many people in their late 40s and 50s have generous defined-benefit pension plans that will combine with CPP and OAS payments to adequately cover retirement expenses.

Younger Canadians, however, are more likely to have a defined-contribution pension plan at work or no pension plan at all if they are contract workers.

Regardless of the pension outlook, Canadians are encouraged to take advantage of their RRSP and TFSA contribution allowances to build a portfolio for retirement. When the process starts early and the contributions are steady, investors can turn modest initial amounts of savings into a significant retirement fund.

One way to maximize the growth potential of your savings is to invest in dividend stocks and use the distributions to buy more shares. The system is easy to set up inside your trading account, and some companies even provide discounts on the new shares purchased through the dividend reinvestment plan (DRIP).

Let's take a look at two companies that might be interesting picks to start your retirement portfolio.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's largest company with a market capitalization of more than $150 billion. The bank is a profit machine, generating $12.4 billion in earnings in fiscal 2018 and is expected to deliver earnings-per-share growth of 7-10% over the medium term.

The board normally raises the dividend in line with earnings increases, and investors should see steady hikes in the payout continue. The current distribution provides a yield of 3.9%.

Telus

Telus (TSX:T)(NYSE:TU) is a leading Canadian communications player providing mobile, TV, and internet services across its world-class wireline and wireless networks. The company is also building a strong healthcare division that could generate significant cash flow in the coming years. Telus Health is already a leader in the sector, helping Canadian doctors, hospitals, and insurance firms manage their digital health data in an efficient way.

Telus is targeting annual dividend growth of 7-10% in the coming years, in line with its long-term trend. The stock has a low beta and tends to hold up well when the broader market hits a rough patch. The dividend provides a yield of 4.6%.

The bottom line

Royal Bank and Telus are top-quality companies with solid businesses that should continue to grow. If you are searching for reliable dividend stocks for your TFSA and RRSP portfolios, these names deserve to be on your radar. The TSX Index is also home to several other attractive stocks that can help you hit your retirement goals.

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Date
2025/08/19

Date Created
2019/06/19
Author
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