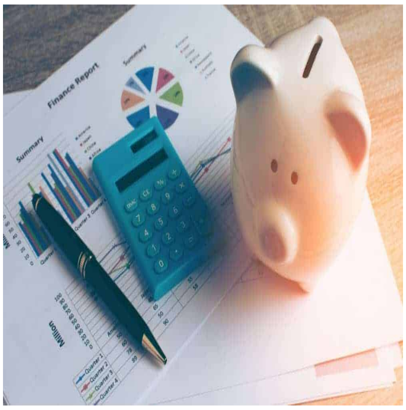

RRSP and TFSA Retirement Investors: 2 Top TSX Index Stocks to Owns for Decades

Description

Canadian savers are using self-directed RRSPs and TFSAs to set aside cash for their golden years.

The funds are part of a total retirement savings plan that would include CPP, OAS, and company pension payments to cover living costs after completing your working career.

Some people aim for early retirement and intend to draw down their RRSP savings until age 65 or older when they would get top dollar from their other pension funds. Others are using the TFSA and RRSP make up potential deficits in the other plans.

Regardless of the goal, one popular strategy for building retirement wealth involves holding dividend-growth stocks inside the portfolio and using the distributions to buy more shares. This creates a snowball effect that can turn modest initial annual contributions into a big cash stash down the road.

Let’s look at two stocks that might be interesting picks to get your RRSP or TFSA portfolio started.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns natural gas distribution, power generation, and electric transmission businesses primarily located in Canada and the United States.

In total, more than $50 billion in mostly regulated assets generates a steady stream of revenue that has supported one of Canada’s best dividend-growth track records. Fortis has increased the payout annually for 45 years, and the trend appears set to continue.

Cash flow growth comes from acquisitions and investment in organic developments. The company is in the second year of a five-year capital program that will put more than $17 billion into various projects. As a result, the rate base is scheduled to increase significantly and provide cash flow to cover annual dividend hikes of about 6% through 2023.

The current payout provides a yield of 3.5%.

CN

Canadian National Railway (TSX:CNR)(NYSE:CNI) is one of those businesses that just rolls along over time, growing its revenue in step with the Canadian and U.S. economies. The company is unique in the industry with its tracks that connect to three coasts, providing CN with an important and sustainable competitive advantage.

CN does a good job of investing the funds required to ensure it operates as efficiently as possible to remain competitive. New locomotive, addition rail cars, and network upgrades are all part of the nearly $4 billion CN is spending on capital initiatives in 2019.

That’s a big chunk of cash, but CN still has money left over to share with investors and buy back stock. The company raised the dividend by 18% this year and has increased the payout by a compound annual rate of about 16% over the past two decades.

The bottom line

CN and Fortis have delivered significant gains to long-term shareholders. A $10,000 investment in Fortis 20 years ago would be worth about $125,000 today with the dividends reinvested. The same investment in CN would be worth about $200,000.

If you have some cash to put to work, these two stocks should continue to be solid buy-and-hold picks for a low-maintenance RRSP or TFSA portfolio.

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aswalker