



## How Canadian Families Can Save \$1 Million

### Description

Saving for retirement is a daunting task in the current environment of rising housing costs, expensive day care, and crazy utility bills.

Despite the challenges, however, people are still determined to put a few bucks aside for the golden years.

The Tax-Free Savings Account gives Canadian families a useful vehicle for growing their savings in a fund that also has the flexibility to allow for emergency withdrawals without a penalty, which is particularly helpful for younger couples.

The secret to creating a long-term million dollar portfolio lies in the power of compounding interest. Investors who buy top stocks with growing [dividends](#) can use the distributions to acquire additional shares. Over a number of years and even decades, the original investment can grow to be a significant pile of cash.

The TFSA contribution limit has grown to \$63,500 per person, which means that a couple currently has \$127,000 in available room to invest and earn tax-free dividends and capital gains.

Let's take a look at two stocks that demonstrate how a \$100,000 portfolio could become more than \$1 million in just 20 years.

## Royal Bank of Canada

**Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) is the country's largest company with a market capitalization of more than \$140 billion.

The bank has a balanced revenue stream with strong personal and commercial banking, capital markets, wealth management, and insurance operations. The company spent US\$5 billion to establish a foothold in the U.S. private and commercial banking segment and that division could grow in the coming years.

Royal Bank is very profitable with a strong capital position that will enable it to ride out the next economic downturn.

The board just raised the dividend for the second time this year. Investors can pick up a reliable 4.2% [yield](#).

A \$10,000 investment in Royal Bank 20 years ago would be worth more than \$125,000 today with the dividends reinvested.

## Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a utility company with \$50 billion in assets that include power generation, electricity transmission, and natural gas distribution businesses located in Canada, the United States, and the Caribbean.

The majority of the company's revenue comes from regulated assets, meaning that the cash flow from the businesses should be reliable. Fortis grows through a combination of acquisitions and organic projects.

The board has raised the dividend for 45 straight years and intends to hike the payout by 6% per year through 2023. At the time of writing the stock provides a yield of 3.3%.

A \$10,000 investment in Fortis 20 years ago would be worth more than \$130,000 today with the dividends reinvested.

The stock has a low beta, which means it tends to be less volatile than the broader market. This is of particular interest when the global economy hits a rough patch.

## The bottom line

A \$100,000 portfolio split between Royal Bank and Fortis just two decades ago would be worth more than \$1.25 million today with the dividends reinvested.

While there is no guarantee that Royal Bank and Fortis will generate the same returns in the next 20 years, the strategy of buying top dividend stocks and investing the distributions in new shares is a proven way to build wealth.

The **TSX Index** is home to many top Canadian stocks that continue to pay higher dividends every year supported by rising revenue and profits.

A balanced portfolio that includes a number of high-quality dividend stocks should perform well over the long-haul and can set a family up for a very comfortable retirement.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
4. TSX:RY (Royal Bank of Canada)

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