Use This Environmentally Friendly Stock to Become a TFSA Millionaire

Description

Saving for retirement and determining how much is needed to retire comfortably is a hot topic — especially once the current environment dominated by economic and geopolitical uncertainty, rising prices, and near historically low interest rates is considered.

According to a 2018 survey conducted by **Canadian Imperial Bank of Commerce**, Canadians believe that, on average, they require $756,000 to retire comfortably, whereas many financial advisors are convinced that the minimum is $1 million.

While this may be confusing, what it confirms is that it is imperative to start planning and saving for retirement as soon as possible.

Despite $1 million appearing to be a hefty target, it an be achieved if you take the right steps and start preparing now. One of the easiest ways to prepare for retirement is to maximize the tax benefits provided by a Tax-Free Savings Account (TFSA) and invest for the long term by holding quality dividend-paying stocks that possess wide economic moats.

Among the top stocks to buy and hold for the long term that provide a combination of reliable growth and a steadily rising dividend is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP).

Solid growth prospects

The partnership owns a globally diversified portfolio of renewable energy assets spanning North and South America, Asia, and Western Europe, which have 17,500 megawatts (MW) of installed capacity.

Those operations are primarily focused on hydro power generation, which makes up 75% of the portfolio's capacity with another 21% generated by wind and the remaining 4% by solar.

It is this focus on hydroelectricity that is among Brookfield Renewables key strengths and the reason it possesses an almost unbreachable economic moat.

Large hydro-facilities are capital intensive, consume large amounts of land, and can have tremendous environmental impacts, which has seen their popularity decline since construction peaked in the 1960s.

It is, however, one of the most reliable and cost-effective forms of renewable electricity generation, particularly because once the plant is completed the energy source, flowing water is free and completely renewable.

Brookfield Renewable reported some solid second-quarter 2019 results, demonstrating that it is unlocking value for investors. These included a 13% year-over-year increase in actual electricity generation, which saw funds from operations (FFO) soar by an impressive 35% to US$0.74 per unit and net income rise to US$0.05, which was a significant improvement over the US$0.01 loss a year earlier.

This strong growth will continue for the foreseeable future and be driven by a range of strategic initiatives and acquisitions. These include the purchase of 210 MW of wind assets in India and a 322 MW power portfolio in the U.S., the investment of $750 million in a renewable energy portfolio in Alberta, and a US$125 million joint venture to develop solar facilities.

Not only will this give Brookfield Renewable's stock a healthy boost, but it will support its plans to grow its distribution by 5-9% annually.

The partnership has already hiked that payment for the last nine years straight to see it yielding a juicy 5.6%, which, with an FFO payout ratio of 85%, is sustainable.

This, in conjunction with the ability to reinvest those payments through a distribution-reinvestment plan (DRIP) to acquire additional units at no extra cost, makes Brookfield Renewable a very appealing investment for wealth creation.

By utilizing the DRIP, investors can access the power of compounding and accelerate the speed at which they create wealth. This becomes apparent when it is considered that $10,000 invested 10 years ago would now be worth $49,000 if all distributions were reinvested compared to $38,562 if they were taken as cash.

If the distributions were reinvested, the total return over that period comes to 389%, or 17% on an annualized basis, whereas if they weren't reinvested, the return falls to 286%, or 14.5% annually.

What does it all mean?

While there is no guarantee that future returns will equal historical returns, if an eligible investor who has never made a TFSA contribution were to take the maximum $63,500 allowable and invest it in Brookfield Renewable, add $6,000 annually, and reinvest all distributions, they could accumulate $1 million in around 15 years. That would certainly allow for a comfortable retirement.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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mattdsmith