



1 Top Dividend Aristocrat to Build Wealth in Every TFSA

Description

Dividend Aristocrats are stocks that have hiked their dividends every year for at least five years and have a market cap of \$300 million or more. Companies that meet those requirements have steadily growing earnings and wide economic moats, and have proven themselves resilient to economic downturns.

Dividend investing for the long term is one of the easiest and most assured ways of building wealth and attaining financial independence. By reinvesting dividends, the power of compounding can be unleashed which will enhance returns and accelerate the pace at which wealth can be created over the long term.

The easiest way to unlock the magic of compounding is to buy stocks that offer dividend-reinvestment plans (DRIPs). These plans allow investors to use their dividend payments to acquire additional stock without paying brokerage or other additional costs, thereby removing the impact of transaction costs on investment earnings.

An ideal investment vehicle in which to hold dividend-paying stocks is a Tax-Free Savings Account (TFSA). The account's tax-sheltered status means that any capital gains and dividends are not treated as [taxable income](#) and are tax-free for the life of the investment, removing the corrosive effect of taxes on returns.

Quality Dividend Aristocrat

Leading fuel distributor **Parkland Fuel** ([TSX:PKI](#)), which has gained 25% over the last year, outperforming the broader market by beating the **S&P/TSX Composite Index's** 13%, is an ideal [Dividend Aristocrat](#) to build wealth over the long term. Parkland pays a steadily growing monthly dividend, which it has hiked for the last seven years straight to be yielding 2.6% and offers a DRIP where shareholders receive on a 5% discount on all stock purchases through the plan.

Through a series of transformative accretive acquisitions, including the 2017 purchase of **Chevron's** Canadian downstream assets, Parkland has become a leading independent fuel and petroleum

products distributor in North America and the Caribbean. The fuel distributor has a long history of achieving or even exceeding its annual guidance. After reporting a record third-quarter 2019 result, Parkland revised its 2019 EBITDA guidance upward to \$1.24 billion, which represents a 6% increase over the company's previous forecast.

A key driver of Parkland's ability to deliver considerable value is its growth through accretive acquisitions. The latest deal is the purchase of Kellerstrass Oil, a Salt Lake City-based commercial fuels business, which is expected to add around \$70 million in EBITDA to Parkland's earnings. This comes after of Parkland's purchase of Miami-based Tropic Oil and Mort Distributing located in Montana.

Those deals have broadened Parkland's U.S. operations, giving it further exposure to the rapidly growing U.S. economy, which is the world's single largest consumer of fuels and related products. As they are bedded down and synergies are realized, they will give the company's earnings a solid boost, supporting the sustainability of its dividend and further dividend hikes.

Parkland has delivered considerable value over the last decade. A \$10,000 investment 10 years ago, if dividends were reinvested, would be worth \$64,264 today, representing a return of a whopping 542% or a compound annual growth rate (CAGR) of 20.5%. That annual return is significantly higher than any generated by traditional income-producing assets such as bonds and guaranteed investment certificates (GICs).

It emphasizes the importance of using compounding to multiply returns and boost the pace at which wealth can be created. At that rate of return, if you invest your \$6,000 TFSA contribution to buy shares in Parkland, add \$6,000 annually, and reinvest all dividends, it is possible to accrue \$100,000 in the account in fewer than seven years.

Foolish takeaway

Parkland is one of Canada's best dividend-growth stories, and the company is poised to deliver further significant value, especially with it focused on making further acquisitions that will boost its North American distribution network. This makes Parkland the ideal stock to hold in a TFSA to build wealth over the long term.

It should be noted, however, that past returns are no guarantee of future performance, and a key tool for managing risk is diversification, making it imperative to own a basket of stocks that share Parkland's strengths.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:PKI (Parkland Fuel Corporation)

PARTNER-FEEDS

1. Business Insider

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3. Newscred
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Author

mattsmith

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