Here's the Best Way to Invest for Retirement

Description

When investing for retirement, it's crucial that investors take a long-term approach and are extremely disciplined.

The first thing that comes to mind when you think of investing is choosing the stocks to buy to make money and considering how much money you can make in a certain amount of time.

The thing with investing is that over the long term, the total amount of money you make will depend more so on the money you didn't lose as opposed to the money that you made.

For example, if you grow your assets by 20% a year (an extremely high return) four out of every five years, but in that fifth year you lose 50% of your portfolio's value, after that year, you would have only grown your money at a compounded average growth rate of less than 1%.

Long-term investing ahead of retirement depends completely on compounding your income, so making sure you aren't losing money and taking on unnecessary risks should be priority number one.

The easiest way to do this is by sticking to investing only in businesses that are the best of the best, such as a companies like **Enbridge** (TSX:ENB)(NYSE:ENB), **Royal Bank of Canada** (TSX:RY)(NYSE:RY), and **Fortis** (TSX:FTS)(NYSE:FTS).

Enbridge

Enbridge is a great long-term stock for investors, because it's so crucial to the economy. When you are considering investing in a company, one of the first things you should analyze is if the company will be around in 50 years' time. With Enbridge, there is no doubt the company will always play a major role in the economy.

The business transports up to a quarter of the oil and natural gas in North America through its main energy transportation business, and it has other strong supporting businesses in its portfolio, such as a utility company.

The makeup of Enbridge's business and the reliability in its cash flow combine to make an income-generating company that's perfect for retirees.

The stock is continuously growing the amount of money it's returning to shareholders and, in fact, it has already increased its dividend for 2020.

Today, the dividend yields roughly 5.75%, and the stock is trading for just under 20 times earnings.

Royal Bank

Royal Bank is the largest bank and an industry leader in Canadian banking — an industry that is renowned for having some of the safest and most stable banks in the world.

Ask any investor that's had a well-diversified portfolio of Canadian stocks over the last decade, and they will tell you that having bank stocks make up a core position in your portfolio is a major key to long-term investing success.

Adding a top bank like Royal Bank not only exposes your portfolio to plenty of capital gains potential, as the stock powers your portfolio to new highs, it also provides you with a growing passive-income stream.

That's why owning bank stocks are crucial, and now with all the worries surrounding the sector that have been blown a little out of proportion, investors who are underweight these bank stocks have an attractive price to gain exposure.

Royal Bank currently trades at just 12.3 times earnings and pays a dividend that yields roughly 3.9%.

Fortis

Fortis is a top utility in Canada — a great industry for investors seeking both income and stability. The utilities industry has always been known as being stable, providing investors with highly reliable income streams that grow year in and year out.

Fortis has an extensive history of dividend increases itself, with nearly 50 consecutive years increasing its payouts to shareholders, making it one of the longest-standing companies on the Canadian Dividend Aristocrats list.

You can't expect to see major share price appreciation over the course of an investment in Fortis, but the capital gain coupled with the growing dividend will provide investors with strong and reliable value creation, giving you the flexibility to reinvest your profits back into Fortis or some other top company.

Bottom line

It’s no surprise that all three of these stocks are included in the Canadian Dividend Aristocrats list, as they provide investors with growing income that’s reliable.

These are the quintessential stocks you’ll want to own through retirement to both grow and protect your capital as much as possible.

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