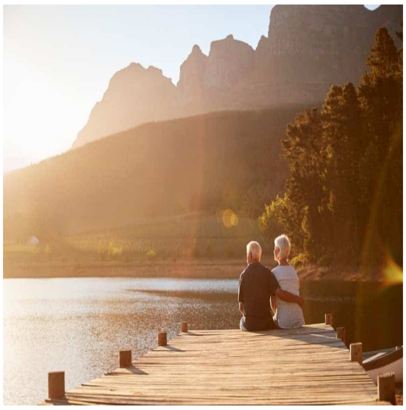

How to Retire Rich: 2 Top Canadian Dividend Stocks for TFSA and RRSP Investors

Description

Canadians are searching ways to boost their retirement savings.

We would all like to retire early or at least pack it in with enough money to ensure a comfortable lifestyle as senior citizens. The changing employment trends in recent years, however, are making that less certain.

How?

The source of retirement funds is shifting from generous defined benefit (DB) plans to defined contribution (DC) pensions at companies that offer pension benefits. The DC pension fund can definitely be adequate, but the payout is not guaranteed, as it is with the traditional DB plan.

In addition, many Canadians are now self-employed as either contract workers or freelancers in the gig economy. In this case, there is no pension at all, so the responsibility for building retirement savings rests with the individual.

As a result, more people are turning to self-directed RRSP and TFSA investments to create a wealth fund for retirement.

Let's take a look at two top Canadian dividend stocks that have delivered strong returns over the years and should continue to be attractive picks for a balanced retirement portfolio.

Royal Bank

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's largest company with a market capitalization of roughly $150 billion. The bank is also very profitable, generating $12.9 billion in adjusted profits in fiscal 2019.

Royal Bank's size and strong financial position give it the ability to make strategic acquisitions to drive growth in key markets. This was evident in 2015 when Royal Bank spent US$5 billion to buy California-based City National. Additional deals could occur in the coming years, as the big banks seek out high-margin opportunities in the wealth management sector.

Royal Bank has a solid capital position to enable it to ride out the next downturn. Earnings growth on a per-share basis is expected to trend in the 7-10% range over the medium term, and dividend hikes should be in line with that guidance. The stock currently provides a 3.9% dividend yield.

A $20,000 investment in Royal Bank 25 years ago would be worth $700,000 today with the dividends reinvested.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry with a market capitalization of $113 billion.

The vast oil and natural gas pipeline networks transport a significant volume of the energy produced and consumed in both Canada and the United States. These assets effectively operate as toll booths that collect steady fees from the energy companies. Enbridge also has utility businesses that distribute natural gas to businesses and homes. In addition, the growing renewable energy division operates or is constructing solar, wind, geothermal, and hydroelectric facilities.

The majority of the revenue comes from regulated assets, meaning cash flow should be predictable and reliable. This is great for dividend investors who want dependable and growing payouts.

Enbridge sold $8 billion in non-core assets and streamlined the corporate structure in the past couple of years. This has strengthened the balance sheet to the point where the current $11 billion capital program can be funded through internal sources.

Enbridge is targeting growth in distributable cash flow of 5-7% per year over the medium term, and dividend increases should be in in that range. The existing dividend provides a yield of 5.8%.

A $20,000 investment in Enbridge 25 years ago would be worth $780,000 today with the dividends reinvested.

The bottom line

Royal Bank and Enbridge are industry leaders and should be solid buy-and-hold picks for a self-directed RRSP or TFSA retirement fund.

A diversified portfolio is always recommended and the **TSX Index** is home to many top-quality dividend stocks.

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