3 Top TSX Stocks That Turned $45,000 Into $1.55 Million

Description

The **TSX Index** trades near record highs, but buy-and-hold investors with an eye for quality can still build a portfolio of top TSX stocks to create substantial wealth for retirement.

Best TSX stocks to buy for a retirement fund

Top TSX stocks that deliver steady long-term gains tend to have several characteristics in common.

Companies with strong records of dividend growth supported by rising revenues and higher profits are normally good picks. Seek out industry leaders with wide competitive moats. In addition, try to find businesses that provide essential products and services. These typically ride out downturns better than firms that rely on discretionary spending.

Let's take a look at three top TSX stocks that meet the criteria and have delivered fantastic returns over the years.

Canadian National Railway Company

CN (TSX:CNR)(NYSE:CNI) is the only rail company in North America with tracks connecting to ports on three coasts. The network of roughly 20,000 route miles runs from the Pacific to the Atlantic in Canada and down through the middle of the United States to the Gulf Coast.

CN faces limited competition on most routes and demand for its services expands in step with economic growth. The company invests heavily to ensure it remains efficient, but still generates carload of free cash flow to reward investors. The board raised the dividend by 7% in 2021. The long-term compound annual dividend growth rate is about 15%.

Bill Gates owns about 14% of the outstanding CN common stock, so you will be in good investing company if you decide to buy.

A $15,000 investment in CN shares when it went public in the 1990s would be worth about $750,000 today with the dividends reinvested.

Royal Bank

Royal Bank (TSX:RY)(NYSE:RY) is the envy of many of its large global banking peers. The firm generated average net profits of more than $1.25 billion per month in fiscal Q1 2021 and sports a return on equity (ROE) of better than 18%.

Royal Bank made it through the worst part of the pandemic in good shape. As a result, the company now sits on significant excess cash that could be used to make an acquisition, boost dividends, or buy back shares.

While the stock isn't as cheap as it was last spring, investors with a buy-and-hold strategy should still still do well and can look to add to the position on the next market crash or market correction.

A $15,000 investment in Royal Bank 25 years ago would be worth about $500,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns and operates more than $50 billion in utility assets. These include power generation, electricity transmission, and natural gas distribution businesses. Homeowners and companies use electricity and natural gas every day. Most of the revenue Fortis generates comes from regulated assets, which means cash flow tends to be predictable and reliable.

The board raised the dividend in each of the past 47 years. With a current capital program of $19.6 billion, Fortis expects to see its rate base expand from $30 billion in 2020 to $40 billion by the end of 2025. This should support steady dividend hikes of about 6% per year over that timeframe.

The stock appears undervalued right now, so investors have a chance to buy on a nice dip.

A $15,000 investment in Fortis 25 years ago would be worth about $300,000 today with the dividends reinvested.

The bottom line on top TSX stocks

Owning reliable dividend stocks and using the distributions to buy new share is a proven strategy to build long-term wealth. If you have some cash available in your Tax-Free Savings Account (TFSA) or RRSP portfolios, these stocks deserve to be on your radar.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:FTS (Fortis Inc.)
6. TSX:RY (Royal Bank of Canada)

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