



3 Top Canadian Dividend Stocks to Help You Retire Rich

Description

Canadian investors are searching for top dividend stocks to add to their self-directed TFSA or RRSP pension funds.

Power of compounding

A number of top Canadian dividend stocks have made buy-and-hold investors wealthy. The secret lies in using the distributions to acquire new shares. While it takes time for the compounding effect to get going, the result can be significant. In fact, a modest initial investment can become a small fortune in two or three decades.

Why Canadian National Railway is a top Canadian dividend stock to build wealth

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is one of those stocks investors can buy and simply forget for 20 years. The company is a leader in the North American rail industry. Roughly 20,000 route miles of track cross Canada from the Pacific to the Atlantic and run through the heart of the United States to the Gulf Coast.

As the domestic and global economies expand, CN benefits. The company generates enough cash flow to cover billions of dollars of annual investments, yet still has cash left over to hike the dividend and buy back shares.

CN's stock price rarely goes on sale and quickly bounces back when the [stock market crashes](#). Long-term investors have done very well. A \$10,000 investment in CN stock 20 years ago would be worth \$200,000 today with the dividends reinvested.

TD Bank remains a great dividend stock for self-directed investors

TD ([TSX:TD](#))([NYSE:TD](#)) stock isn't as cheap as it was a year ago, but Canada's second-largest bank by market capitalization should still be a solid pick for buy-and-hold investors.

The bank is a profit machine and is currently sitting on \$12 billion of excess capital it built up to ride out the pandemic. Fortunately, TD didn't need the funds to cover losses. Extensive government aid programs for households and businesses saved the Canadian banks from facing massive loan defaults.

TD might use the funds to make a new acquisition in the United States. The bank already has a major retail banking presence south of the border. Dividend hikes over the past two decades averaged about 10% per year, and investors should see the strong track record resume as soon as the Canadian banks get approval to start paying distributions again.

TD's current payout provides a 3.8% yield. A \$10,000 investment in TD stock 20 years ago would be worth \$85,000 today with the dividends reinvested.

Enbridge looks undervalued today

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the North American energy infrastructure sector with assets that include liquids pipelines, natural gas pipelines, natural gas storage and distribution, and renewable energy.

The \$16 billion secured capital program should boost revenue and cash flow growth in the coming years to support annual increases in distributable cash flow (DCF) of 5-7%. Dividend hikes will likely be in the same range.

Enbridge raised the payout in each of the past 26 years. Investors who buy the stock now can pick up a 7% dividend yield.

Getting new major pipeline developments approved remains a challenge, and that puts a limit on organic growth opportunities, but it also makes the existing infrastructure more valuable.

Enbridge has the financial clout to make strategic acquisitions and still finds smaller organic [growth projects](#) across the vast asset base.

The stock appears [undervalued](#) right now, so investors get a shot at some nice upside while collecting the above-average dividend yield.

A \$10,000 investment in Enbridge 20 years ago would be worth \$95,000 today with the dividends reinvested.

The bottom line on top Canadian dividend stocks

CN, TD, and Enbridge are all top Canadian dividend stocks that have helped some long-term investors

become wealthy. There is no guarantee the stocks will deliver the same returns in the coming decades, but these names still deserve to be top picks for a buy-and-hold portfolio.

CATEGORY

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1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:ENB (Enbridge Inc.)
6. TSX:TD (The Toronto-Dominion Bank)

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