Retirement Alert: Get $7,000 Per Year in Dividends on a $10,000 Investment

Description

Investors who buy top dividend stocks and hold the positions for a number of years can take advantage of a unique investing strategy to create significant passive income.

The power of compounding

Everyone knows how a snowball rolled down a hill can turn into a giant snow boulder. Investing in dividend stocks and using the distributions to buy new shares can have the same effect on a portfolio.

Each dividend payout buys more shares that, in turn, pay more dividends that then buy even more shares, etc. The growth can become exponential, particularly when the dividends increase every year and the share price of the stock rises over time.

Buy-and-hold investing takes patience, and building long-term wealth requires the discipline to reinvest dividends in new shares. Investors also need to resist the temptation to bail out when markets crash. In fact, the strategy takes advantage of pullbacks in the share price to buy new stock at discounted prices. Over time, great stocks tend to deliver amazing returns and when the day comes to retire, investors can use the windfall of dividend payouts for passive income.

The best stocks to buy have great track records of distribution growth, and good prospects for boosting revenue and cash flow in the coming years.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with businesses located in Canada, the United States, and the Caribbean. The assets include power-generation facilities, electric transmission networks, and natural gas distribution utilities.

Nearly all of the revenue and income comes from regulated businesses, meaning cash flow is generally very reliable and predictable. That’s great for dividend investors who want to invest for the long haul.

Fortis grows through a combination of strategic acquisitions and organic developments. The current $19.6 billion capital program is expected to boost the rate base from $30 billion in 2020 to $40 billion over five years. As a result, Fortis says revenue and cash flow growth should support average annual dividend hikes of 6% through 2025.

Fortis raised the payout in each of the past 47 years, so investors should have confidence the board will deliver on the guidance.

Interest rates and bond yields remain near historic lows. This means Fortis can borrow funds at very cheap levels to fund projects or takeovers. When interest rates begin to rise again, the stock might come under some pressure, but the dividend growth should offset any competition from fixed-income investments.

At the time of writing, Fortis trades for close to $57 per share and provides a 3.5% dividend yield.

The stock has made some long-term investors quite wealthy. A $10,000 investment in Fortis 25 years ago would be worth about $200,000 today with the dividends reinvested. That position would generate $7,000 per year right now in dividends!

The bottom line on the power of compounding

Investors with two or three decades before retirement can set themselves up for a lucrative passive-income stream using relatively small initial investments in top dividend-growth stocks.

Fortis is just one top dividend stock in the **TSX Index** that has delivered attractive returns and deserves to be an anchor position in a dividend-focused retirement portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/14
Date Created
2021/08/10
Author
aswalker