2 Canadian Value Stocks That Could Help You Retire Early

Description

Your prospects for retiring earlier than usual are conceivable. Many Canadians who took to investing when they were younger live off dividends in retirement. Their financial situation is stable, because they also have lifetime pensions like the Canada Pension Plan (CPP) and Old Age Security (OAS).

The COVID-19 pandemic has set back retirement plans of would-be retirees. Financial dislocation is the biggest concern today, especially for people who didn't save enough for retirement. Time is of the essence if retirement is a few years away. The solution to calm the worry is through value stocks.

Start building a nest egg by investing your free cash in income-producing assets. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Fortis** (TSX:FTS)(NYSE:FTS) are blue-chip and matured companies with excellent dividend track records. Your money can grow over time and should give you the confidence to consider early retirement, or earlier than the standard retirement age of 65.

Mightier than ever

Toronto-Dominion Bank, Canada's second-largest bank, ranks (13th) among the top 20 most popular banks in the U.S. as of Q2 2021 based on the survey by yougov.com. TD Group U.S. Holdings is also the eighth-largest bank in America by asset size as of Q1 2021.

This $155.63 billion bank is stronger than ever amid the global pandemic. TD's dividend streak of 164 years remains intact, without the threat of dividend cut whatsoever. Besides expansion plans in the U.S. through strategic acquisitions, the prestigious bank contemplates a dividend increase when Canada's banking regulator lift restrictions soon.

TD has $14.6 billion in excess capital after the first half of fiscal 2021 (six months ended April 30, 2021). Bharat Masrani, TD Group's CEO, said the bank could do a bank deal in the southeastern United States or another region and deploy the funds to shareholders as dividends.

Growing dividends

The TSX’s defensive gem Fortis is never a hard sell. Apart from its bond-like feature, Fortis offers growing dividends to risk-averse investors. The $27.43 billion regulated electric and gas company’s dividend track record is shorter than TD’s, but it has raised in dividend for 47 straight calendar years.

Management clarified that the 7.66% decline in net earnings in Q2 2021 versus Q2 2020 was mainly due to a lower U.S.-to-Canadian dollar exchange rate. Also, Fortis’s position to increase dividends by 6% annually through 2025 hasn’t changed. Currently, the stock trades at $58.21 per share and pays a 3.47% dividend.

Furthermore, Fortis doesn’t expect a financial impact from the pandemic for the rest of 2021. Management is confident that the strength and balance of the diversified utility portfolio should enhance shareholder value over the long term. At a constant foreign exchange rate, the growth of Fortis’s base rate in three- and five-year periods should result in a compound annual growth rate of 6.5% and 6.0%, respectively.

Vehicles to early retirement

Toronto-Dominion Bank and Fortis can be your vehicles to retire earlier than usual. Assuming the average dividend yield of 3.565% remains constant, a combined investment of $150,000 will compound to $302,239.66 in 20 years (with dividend reinvesting). Your quarterly income stream from the value stocks would be $2,693.71 by then. Also, you preserve the capital, as you don’t need to touch it anymore.

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2. Dividend Stocks
3. Investing

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2. NYSE:TD (The Toronto-Dominion Bank)
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