



RRSP Investors: 2 Top Stocks to Help You Retire Rich

Description

Investors who used their RRSP portfolios to hold top Canadian dividend stocks for the past two or three decades are now sitting on retirement fortunes.

Here's how the strategy works.

Power of compounding

One way to build long-term wealth involves buying top dividend stocks inside your RRSP and using the distributions to acquire new shares. The process is slow at the beginning but can eventually turn a small initial holding into a substantial pension over time.

In most self-directed, online broker accounts available through the banks and competing services the process can be set up automatically, and you don't pay a fee for the purchase of the new shares. Some corporations even give investors a discount on the purchase price of the new shares, which is an added bonus. They do this to raise cash, as the dividend reinvestment keeps funds in the company that can be used to cover capital programs or acquisitions.

When a company steadily increases the dividend, the payouts get larger, and investors can acquire a greater number of shares, especially when the stock price dips on market corrections. Over time, top dividend stocks tend to rise in price, adding even more value to the original investment.

Let's take a look at two stocks that have made some RRSP investors rich and still look attractive right now for a self-directed pension portfolio.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) stands apart from its Canadian peers as a result of its large international business focused on Mexico, Peru, Chile, and Colombia. These members of the Pacific Alliance trade bloc are home to more than 230 million consumers. The countries certainly carry

larger economic and political risks than Canada, but they are also underbanked and offer huge growth potential as the middle class expands.

Overall, profits remain strong, despite the challenges of the pandemic, and the bank's international group should benefit from a global economic recovery.

Bank of Nova Scotia has a long track record of paying dividends. The company is sitting on excess cash right now, so investors should see generous dividend growth once the Canadian banks get permission to hike payouts. At the time of writing, the stock provides a solid 4.5% dividend yield.

A \$10,000 investment in Bank of Nova Scotia 25 years ago would be worth about \$240,000 today with the dividends reinvested.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a leader in the North American energy infrastructure industry. The company's oil pipelines move 25% of the oil produced in the U.S. and Canada. The natural gas transmission assets transport 20% of the natural gas used in the United States. In short, Enbridge is a vital player in the smooth functioning of the Canadian and U.S. economies.

The company also has natural gas storage facilities and natural gas distribution utilities that serve more than three million commercial and residential customers. A growing renewable energy group rounds out the asset mix.

Enbridge is one of Canada's top dividend-growth stocks over the past two decades. The share price appears undervalued right now, providing investors with an opportunity to buy the stock at a good price and pick up a solid 7% dividend yield.

A \$10,000 investment in Enbridge stock 25 years ago would be worth about \$170,000 today with the dividends reinvested.

The bottom line on RRSP investing

The strategy of buying top dividend stocks and using the distributions to acquire new shares is a proven one for building RRSP wealth. Bank of Nova Scotia and Enbridge might not deliver the same returns in the next two decades, but they remain attractive picks for a diversified RRSP portfolio.

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