2 Top Canadian Dividend Stocks That Could Make You Rich

Description

Canadian TFSA and RRSP investors are searching for top stocks to add to their retirement portfolios. The best stocks to buy over the long haul tend to be leading dividend payers.

Power of compounding

Successful buy-and-hold investors know how to harness the power of compounding to build retirement wealth. The strategy involves buying top dividend stocks and using the distributions to acquire new shares. This creates a snowball effect that can turn relatively modest initial investments into large personal pension funds over the course of 20 or 30 years.

TD Bank

TD (TSX:TD)(NYSE:TD) is Canada's second-largest financial institution with a market capitalization of $150 billion. The bank is a perennial profit machine, delivering strong results in good economic times and during challenging periods, as we have experienced in the past 18 months.

TD reported solid fiscal Q3 2021 results. The bank earned $3.6 billion in adjusted net income in the quarter, or $1.96 per share. Canadian retail banking revenue rose 9% compared to the same period last year. The U.S. division, which actually has more branches, saw revenue rise 5% versus fiscal Q3 2020.

TD has a great track record of dividend growth. Distribution hikes are currently on hold due to a government directive, but the increases should resume later this year or in early 2022. When that happens, investors could easily see a double-digit dividend boost.

The stock is down from the 2021 high, giving investors a chance to buy TD on a pullback. One quick look at the chart over the past 30 years suggests buying dips can deliver solid long-term returns.

A $10,000 investment in TD 25 years ago would be worth about $290,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns more than $55 billion in power generation, natural gas distribution, and electric transmission assets across Canada, the United States, and the Caribbean. The great thing about regulated utility businesses is the fact that revenue and cash flow tends to be very reliable and predictable. That's a big deal for dividend investors who are searching for steady payouts to build wealth.

Fortis grows through acquisitions and internal development projects. The company's last two large deals occurred in the United States, and it wouldn't be a surprise to see Fortis do another deal south of the border as the sector consolidates. On the organic projects side, Fortis is working on a five-year $19.6 billion capital program that will increase the rate base from $30 billion to $40 billion through 2025. The board expects the added revenue stream to support average annual dividend increases of 6% over that timeline.

Fortis raised the payout in each of the past 47 years. That kind of performance normally gets rewarded with a steadily rising stock price. For example, a $10,000 investment in Fortis 25 years ago would be worth about $200,000 today with the dividends reinvested.

The bottom line on retirement investing

TD and Fortis might not deliver the same returns over the next quarter century, but the stocks still deserve to be core holding in a diversified retirement fund focused on top dividend stocks. The strategy of buying dividend-growth stars and using the distributions to acquire new shares is a proven one for building self-directed retirement wealth.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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