2 Top Dividend Stocks for a DIY Retirement Fund

Description

Canadian investors are using online brokerage accounts to set up their own retirement portfolios.

Power of compounding

One popular investing strategy involves buying top dividend stocks and using the distributions to acquire new shares. This triggers a compounding process that can turn small initial investments into large sums for retirement when the magic is allowed to work for 20 or 30 years. In fact, a modest initial investment can turn into a substantial personal pension fund.

The best dividend stocks to own tend to be those that have long track records of raising payouts. This often leads to steady growth in the stock price as well as better distributions on the initial investments.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest communications firm. The company provides mobile, internet, and TV services across its vast wireless and wireline network infrastructure. BCE also has a media division it's built over the past decade or so that includes a TV network, specialty channels, and radio stations. Interests in sports franchises and retail stores round out the group.

BCE continues to invest in new technology and network upgrades to ensure it provides world-class services to its subscribers. The fibre-to-the-premises initiative helps homes and businesses get the broadband they need while protecting BCE's wide competitive moat. BCE is also expanding its 5G network to ensure it capitalizes on new revenue opportunities in the next generation of mobile connectivity.

BCE raised the dividend by 5.1% for 2022. Management is targeting decent free cash flow growth this year, even as the firm spends big on capital projects.

This is a good defensive stock to own in your portfolio and offers an attractive above-average yield. At the time of writing, BCE stock offers a yield of 5.4%.

Enbridge

The strong rebound in the oil and natural gas market over the past year shows that demand for these fuels remains strong. The shift to electric vehicles and renewable energy will take time. Developing nations will be slow to give up combustion engines, and wind and solar installations have their limits when it comes to being reliable providers of power. As a result, oil and natural gas will still play large roles in the coming years and decades.

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure sector. The company transports a quarter of the oil produced in the U.S. and Canada. It also moves 20% of the natural gas used by Americans.

The existing infrastructure should become more valuable. Big new pipeline projects face strong political and public opposition and the cost of building new infrastructure continues to rise. This puts Enbridge in a good place. The company should see strong demand for its transmission and storage services and management continues to find opportunities to drive growth through new capital projects and acquisitions.

The stock looks attractive at the current price near $57 per share and provides a solid 6% dividend yield.

The bottom line

DIY retirement investors have a number of top dividend stocks to choose from on the **TSX Index**. BCE and Enbridge should be strong anchor picks for a balanced TFSA or RRSP portfolio. Even with the surge in the market over the past two years, investors can still buy attractive dividend stocks at decent prices and build a portfolio that offers an average yield of 5%. That's a pretty good start for creating a self-directed pension fund.

CATEGORY

1. Investing

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3. TSX:BCE (BCE Inc.)
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