



2 Top TSX Dividend Stocks to Buy Now and Own for Decades

Description

Canadian savers are searching for top stocks to add to their self-directed [RRSP and TFSA](#) portfolios. The overall market looks a bit expensive right now, and more volatility could be on the way in the coming months. With this in mind, it makes sense to seek out leading dividend-growth stocks that tend to deliver strong total returns over the long haul.

Royal Bank of Canada

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is a profit machine. Canada's largest bank by [market capitalization](#) generated \$16.1 billion net income in fiscal 2021 and a return on equity of 18.6%.

Royal Bank raised its dividend by 11% last fall when the pandemic ban on bank dividend hikes ended. Investors should see another generous increase this year.

Royal Bank is sitting on \$14 billion of excess capital it built up during the pandemic. The likely use for the funds would be a large acquisition. Royal Bank spent US\$5 billion in 2015 on the purchase of City National, a California-based bank focused on private and commercial banking and wealth management. It wouldn't be a surprise to see Royal Bank make a move to boost its presence in the United States, especially after two recently announced deals in the U.S. by competing Canadian banks.

The stock trades near \$140 per share at the time of writing and offers a 3.4% dividend yield. Long-term investors have enjoyed solid returns from RY stock. A \$10,000 investment in Royal Bank shares 25 years ago would be worth about \$250,000 today with the dividends reinvested.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) has increased its dividend in each of the past 48 years. That's the kind of reliable dividend growth investors want to see for a self-directed retirement fund focused on total returns.

Fortis grows through a combination of strategic acquisitions and internal capital projects. The current \$20 billion capital program is expected to increase the rate base from about \$30 billion to \$40 billion through 2026. The new assets should drive revenue and cash flow growth to support average annual dividend increases of at least 6% through 2025. Fortis has a number of other projects under consideration that might get added to the development program. Fortis could also make another acquisition to boost growth. As a result, the size of the dividend hikes and the guidance on dividend growth could expand in the next few years.

Fortis gets most of its revenue from regulated assets. This means cash flow tends to be reliable and predictable. Homes and businesses need power and natural gas in all economic conditions, so Fortis tends to have some built-in recession protection.

The stock looks attractive at the current price near \$61 per share and provides a 3.5% dividend yield.

A \$10,000 investment in Fortis stock 25 years ago would be worth about \$200,000 today with the dividends reinvested.

The bottom line on top dividend stocks to own for decades

Royal Bank and Fortis have great track records of delivering strong total returns for buy-and-hold investors. Future returns are not guaranteed to be as robust, but these stocks still deserve to be anchor picks for a self-directed retirement fund focused on dividends.

CATEGORY

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2. NYSE:RY (Royal Bank of Canada)
3. TSX:FTS (Fortis Inc.)
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