



## How a \$20,000 TFSA Can Become \$650,000 in 25 Years

### Description

The TFSA is a useful tool to help new investors build a portfolio of top [dividend stocks](#) that can become a substantial fund for retirement.

### Power of compounding

One popular strategy to consider for a TFSA retirement fund involves owning top TSX dividend stocks and using the distributions to buy additional shares. The process starts out slowly but can really make a difference to personal wealth over the course of two or three decades. This is particularly the case when dividend growth is combined with a steady rise in the share price.

### Canadian National Railway

**CN** ([TSX:CNR](#))([NYSE:CNI](#)) is one of those top Canadian dividend stocks investors can buy and simply sit on for 30 years.

Railways are essential contributors to the smooth operation of the Canadian and U.S. economies and CN's routes make it an attractive choice for domestic and international customers who want to move raw materials or finished products. CN has a unique network of tracks that connects ports on the east and west coasts of Canada with the Gulf Coast in the United States.

CN makes the investments needed to ensure it remains competitive in the transportation sector. The railway buys new locomotives, adds specialty rail cars to meet demand in certain segments, and invests in technology and network upgrades to improve efficiency. Capital expenditures are significant, but CN still generates strong free cash flow to reward investors. The board raised the dividend by 19% for 2022 and CN is repurchasing up to \$5 billion in stock under the current share-buyback program.

The dividend yield is only about 2%, but CN has one of the best dividend-growth rates in the **TSX Index** over the past two decades.

A \$10,000 investment in CN stock 25 years ago would be worth about \$450,000 today with the dividends reinvested.

## Royal Bank

Royal Bank is Canada's largest financial institution with a current market capitalization of \$180 billion. In fact, Royal Bank ranks among the 10 largest banks in the world based on this metric.

The stock's recent pullback from the 2022 highs gives investors a rare chance to buy Royal Bank on a meaningful dip. At the time of writing, RY stock trades for close to \$127 per share compared to nearly \$150 earlier this year.

The company is sitting on a war chest of cash it built up to ride out the pandemic. Royal Bank is buying back stock and recently announced a \$2.6 billion acquisition in the U.K. to boost its global wealth management operations. Additional deals to drive growth could be on the way.

Royal Bank raised its dividend by 11% late last year. Another big increase should be on the way for 2023. At the time of writing, the stock provides a 3.8% dividend yield.

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

## The bottom line on top stocks to create TFSA wealth

CN and Royal Bank are leaders in their industries and should continue to be anchor picks for a TFSA retirement portfolio. Future gains might not be as robust, but the strategy of owning top TSX dividend stocks and using the distributions to buy new shares is a proven one from building retirement wealth.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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