



## RRSP Savings: 2 Top TSX Dividend Stocks to Build Retirement Wealth

### Description

Canadian investors are taking advantage of their RRSP contribution space to build retirement portfolios that can supplement OAS, CPP, and company pensions down the road. One popular RRSP [investing strategy](#) involves buying top dividend stocks and using the distributions to acquire new shares.

### What's the power of compounding?

Canadians learn how the power of compounding works at a very young age, even if they aren't fully aware of math behind the process.

Anyone who has made a snowman has harnessed the power of compounding. You start with a small snowball, and each time you roll the ball, it picks up more snow, making the ball larger. That, in turn, picks up even more snow on the next roll, and so on, until the initial ball that once fit in the palm of your hand becomes a large snow boulder.

The same strategy can be applied to building wealth for retirement inside a self-directed RRSP. Investors can buy top dividend stocks and use the distributions to buy additional shares. Some companies even offer a discount of up to 5% on the new shares under their dividend-reinvestment plan (DRIP).

The process takes time to build the portfolio, but small initial investments can become significant savings over two or three decades. This is particularly the case when the stock price rises along with the dividends.

Let's take a look at two top TSX dividend stock that are good examples of how the process works.

### Fortis

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) is a utility company with power generation, electricity transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean. The company

gets 99% of its revenue from regulated assets, so cash flow tends to be very reliable.

Fortis grows through a combination of strategic acquisitions and internal development projects. The current \$20 billion capital program is expected to increase the rate base by about \$10 billion through 2026. The resulting increase in revenue should support average annual dividend hikes of 6% until at least 2025.

Fortis raised the dividend in each of the past 48 years. The current payout provides a yield of 3.3%.

Long-term investors have done well with the stock. A \$10,000 RRSP investment in Fortis 25 years ago would be worth about \$200,000 today with the dividends reinvested.

## Royal Bank

**Royal Bank** ([TSX:RY](#))([NYSE:RY](#)) just reported another strong quarter with net income of \$4.25 billion. The bank is a profit machine and continues to grow its global presence through strategic acquisitions.

Royal Bank recently announce a \$2.6 billion deal to buy a wealth management business in the United Kingdom. Royal Bank's CET1 ratio of more than 13% means it has significant excess cash it can deploy on other deals.

Royal Bank is also investing in digital technologies to ensure it remains competitive in the rapidly changing consumer and small business banking sector.

The board just raised the dividend by 7%. This is in addition to an increase of 11% late last year. The share price is off the 2022 high, giving investors a chance to buy Royal Bank on a decent pullback.

Buy-and-hold investors have received attractive total returns. A \$10,000 investment in Royal Bank stock 25 years ago would also be worth about \$200,000 right now with the dividends reinvested.

## The bottom line on RRSP investing

Fortis and Royal Bank are good examples of top dividend stocks that can help investors build significant retirement wealth by reinvesting dividends in new shares. Future gains from these stocks might not be the same, but Fortis and Royal Bank remain attractive picks for a diversified RRSP portfolio focused on total returns.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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

2025/07/21

## **Date Created**

2022/05/28

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