Got $5,000? Buy These 2 Stocks and Hold Until Retirement

Description

The extended market correction has caused investors to flee from equity investments, as benchmark indexes spent most of 2022 in the red. As recession fears pile on, the stock market is seeing heightened volatility levels — the highest since the initial COVID-19 wave in March 2020. The CBOE Volatility index is up 34.49% year to date, reflecting the highly volatile backdrop.

However, if you want to build your portfolio, now is the right time. With a majority of the fundamentally sound stocks trading at deep discounts, you can buy your favourite recession-resistant stocks at bargain prices.

Also, investing in blue-chip dividend stocks can help you generate a solid passive income with no additional effort. These stocks not only help you build your wealth till retirement but can also hedge current market risks, such as surging inflation rates and impending recessionary fears.

Royal Bank of Canada

With nearly $1.4 trillion in assets, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) is the largest commercial bank in Canada. It is also one of the global systematic banks, as per the Switzerland-based Financial Stability Board. Moreover, with a $171.97 billion market cap, the “too big to fail” bank is one of the biggest publicly traded companies in Canada.

RBC stock yields an impressive 4.17% on its dividend payouts. In fact, RBC is a Dividend Aristocrat, as it has raised its annual dividend for 25 years non-stop. Over the past 10 years, RBC’s dividends have increased at 7.8% annually. This means that if you invest in the stock now and hold it till retirement, you can build up a substantial worth — enough to fund your retirement expenses.

Moreover, the aggressive benchmark interest rate hikes allow banks like RBC to hike their prime lending rates. RBC raised its prime rate by a full percentage point to 4.7% in mid-July. Thus, as Royal Bank’s profit margins rise, it is safe to assume that dividend payouts will likely follow suit. Bay Street analysts are predicting RBC’s bottom line to rise by 4.7% next year.

Fortis

You can never go wrong with electric utility companies while building your retirement portfolio. These defensive stocks, such as **Fortis** (TSX:FTS)(NYSE:FTS), will not only allow you to generate enormous dividend income, but you will most likely be able to generate substantial capital gains when you sell the stock decades later.

Fortis stock pays $1.66 per share in annual dividends, translating to a tasty 3.52% yield. In addition, Fortis has raised its dividend for 47 consecutive years. Fortis's management is currently targeting a dividend-growth rate of approximately 6% per year through 2025.

Serving more than 3.4 million customers across the Americas and the Caribbean, Fortis has reliable financials as well — enough to weather a mild to moderate recession next year. As the demand for integrated energy services and utilities will remain strong, analysts expect the company's revenues and EPS to rise 3.2% and 6.6% year over year in fiscal 2023.

The company's adjusted net earnings rose 5% year over year to $272 million in the fiscal second quarter (ended June 30). Adjusted EPS amounted to $0.57, a marginal increase from the same period last year.

Moreover, the company's quarterly revenues came in at $2.48 billion, surpassing the $2.25 billion consensus revenue estimate. As Fortis's earnings and profit margins continue to improve, the total return on investment for shareholders is poised to grow in tandem.

CATEGORY

1. Dividend Stocks
2. Investing

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

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