TFSA Wealth: How to Turn $20,000 into $580,000 for Retirement

Description

Canadian savers are using their TFSA to generate tax-free dividends and capital gains inside self-directed retirement portfolios. One popular investing strategy for building wealth involves buying top TSX dividend stocks and using the distribution to acquire new shares. This sets off a powerful compounding process that can turn small initial investments into substantial savings over time. Here are two companies to consider for your dividend reinvestment strategy.

Fortis

Fortis (TSX:FTS) (NYSE:FTS) owns $60 billion in utility assets in Canada, the United States, and the Caribbean. The operations include power generation, electricity transmission, and natural gas distribution businesses. Fortis get 99% of its revenue from regulated assets. This means cash flow is generally predictable and reliable in most economic situations.

Fortis has a great track record of dividend growth supported by rising earnings. The company expands through strategic acquisitions and makes internal investments on new projects. Fortis is in the middle of a $20 billion capital program that will increase the rate base from roughly $30 billion to more than $40 billion by the end of 2026. Management expects to raise the dividend by an average rate of 6% per year through at least 2025 as a result of the anticipated growth in cash flow.

Fortis hiked the payout in each of the past 48 years. This has helped long-term investors generate great total returns in their portfolios. A $10,000 investment in Fortis stock 25 years ago would be worth close to $180,000 today with the dividends reinvested.

Fortis has an attractive dividend reinvestment plan (DRIP) that provides a 2% discount on shares purchased using the dividend.

Canadian National Railway

CN (TSX:CNR) (NYSE:CNI) is unique in the North American rail industry. The company is the only operator with tracks that connect to ports on three coasts. This gives CN a competitive advantage when bidding on transport contracts with domestic and international clients.

CN generated strong Q2 2022 results despite the ongoing global supply chain challenges, rising fuel costs, and tight labour markets. The company reported revenue of $3.4 billion in the quarter, up $746 million, or 21% compared to the same period last year. Operating income hit a record $1.8 billion, representing a 28% increase over Q2 2021. Diluted earnings per share (EPS) rose 32% to $1.92.

For the first six months of 2022 free cash flow came in at $1.6 billion, up from $1.3 billion last year. CN confirmed its 2022 financial guidance of adjusted diluted EPS growth of 15-20% and free cash flow of $3.7-$4.0 billion.

The board raised the dividend by 19% for 2022. Another generous payout is likely on the way for 2023. CN is one of the best dividend-growth stocks in the **TSX Index** over the past two decades with a compound annual dividend growth rate of roughly 15% since the mid 1990s when CN began trading as a public company.

Long-term investors have done well with CN stock. A $10,000 investment in the shares 25 years ago would be worth more than $400,000 today with the dividends reinvested.

The bottom line on top stocks to buy for a TFSA retirement portfolio

Fortis and CN are good examples of top TSX dividend stocks to buy for a retirement fund. There is no guarantee that future returns will be the same, but the companies still look attractive right now for a self-directed TFSA.

The strategy of buying top dividend stocks and using the distributions to acquire new shares is a proven one to build retirement wealth and the TSX is home to many great stocks that now trade at discounted prices.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn

4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. cleona

Category

1. Dividend Stocks
2. Investing

Date
2025/07/07
Date Created
2022/08/05
Author
aswalker