2 Stocks That Could Grow Your Portfolio Over the Next Decade

Description

Stocks are considered to be risky investments. However, in the realm of stocks, there’s a spectrum of risk. Investors, especially those with a long-term investment horizon, can choose to take lower risk by investing in solid dividend stocks and still grow their portfolio to a respectable size.

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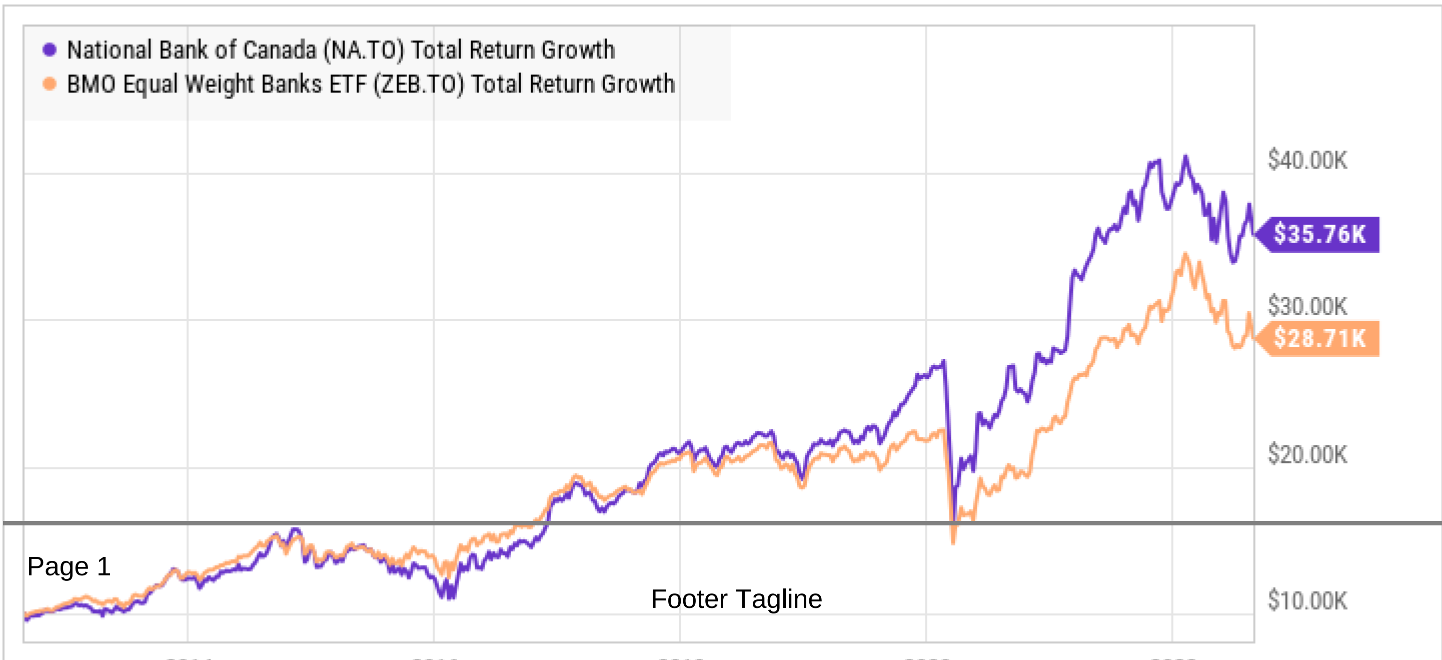
For example, $500 of monthly investments compounded annually at 10% will grow to $95,624.55 in 10 years. Even if you don’t put more money into your portfolio after that, it can still grow to $643,314.16 in another 20 years compounded at the same 10% annualized return. If you do continue to invest $500 a month, your portfolio would grow to $986,964.15 instead at the end of the period!

Grow your portfolio safely with this solid dividend stock

National Bank of Canada (TSX:NA) stock led all the way as the best performer among the Big Six Canadian bank stocks in the last three, five, and 10 years. It may have partly to do with it being the smallest of the banks with the advantage of growing from a smaller base.

Here’s how an initial $10,000 investment grew over the last decade in National Bank stock versus the industry, using the **BMO Equal Weight Banks ETF**, as a proxy. Essentially, the bank delivered annualized returns of about 13.6% versus the industry’s 11.1%.



NA Total Return Level data by YCharts

Indeed, National Bank's outperformance was supported by strong fundamentals. It had industry-leading earnings-per-share (EPS) growth of 9.9% in this period.

Currently, the banking sector is being pressured again. Banks are anticipating a weaker outlook in the economy due to high inflation and rising interest rates. In this environment, consumers and businesses are expected to spend less. Therefore, the banks are setting aside more reserves to cover a higher percentage of bad loans that could occur. This, in turn, is dragging down their recent results. An opposing force is higher interest income that the banks are enjoying.

It'd be smart for Canadian investors to consider buying shares of the low-risk stock on the current pullback. Assuming a more conservative EPS growth rate of 8%, the bank stock can deliver annualized returns of about 13-15% over the next three to five years. This return includes its decent dividend yield that's almost 4.2% at writing.

Over the next decade and beyond, investors can expect their NA positions to grow at a clip of at least 10%, barring the occurrence of a market crash that could temporarily set back the stock.

Another dividend stock you can rely on

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Another stable dividend stock that has the potential to deliver returns of at least 10% per year over the next decade is **TELUS** (TSX:T)(NYSE:TU). The stock has outperformed the industry average by delivering annualized returns of just over 11% over the last 10 years.

Particularly, the company is gaining above-average revenue growth via its other businesses, including via **TELUS International**, TELUS Health, and agriculture services. This also supports its bottom-line growth.

Currently, the big Canadian telecom stock yields about 4.5%, which means it can deliver that 10% return on a 5.5% growth rate. It more favourably increased its dividend by 6.7% and 8.7% annually in the past five and 10 years. Given TELUS's growth trajectory, it's more likely to beat the 5.5% growth rate.

CATEGORY

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