



Retire Young: How to Turn a 50,000 TFSA or RRSP Into \$950,000

Description

Canadian [TFSA and RRSP](#) investors can take advantage of a simple investing strategy to build a significant retirement fund using relatively modest initial investments. The [market correction](#) is now giving savers a great opportunity to buy top [TSX](#) dividend stocks at cheap prices.

Power of compounding

Owning quality dividend-growth stocks and using the distributions to buy new shares is a popular strategy for creating wealth for retirement. Each new share that is purchased increases the dividend payment in the next distribution, which in turn can buy more shares. The compounding process is slow at the beginning, but over time it can turn a small pile of cash into a mountain of savings. This is particularly true when the company raises the dividend steadily and the share price trends higher.

Many companies have a dividend reinvestment plan (DRIP) that will automatically reinvest dividends to acquire new shares. Some even offer discounts of up to 5% on the share price.

Industry leaders with good track records of dividend growth tend to be solid picks for this investing strategy.

BCE

BCE ([TSX:BCE](#)) ([NYSE:BCE](#)), Canada's largest communications company with a current [market capitalization](#) near \$60 billion, is a good candidate for dividend income seekers. Being big has advantages in an industry that requires heavy investment in new network technology to meet the rising broadband needs of customers.

BCE is spending \$5 billion in 2022 on its wireline and wireless networks. The company expects to connect fibre optic lines directly to the premises of another 900,000 customers this year. Owning the connection to the building is a great way to keep customers from leaving. At the same time, the speed and broadband capacity improvements that come with the fibre optic line open the door for selling new

and upgraded services. BCE is also investing in the expansion of its 5G mobile network after spending \$2 billion last year to acquire new 3500 MHz spectrum licenses at government auction.

BCE is on track to meet its financial goals for 2022. The company expects adjusted earnings per share to grow by 2-7% compared to 2021. Free cash flow growth is targeted at 2-10%. BCE generates adequate free cash flow to support its generous dividend and investors should see the distribution increase steadily in the coming years, supported by revenue and profit expansion driven by the investments in the new network assets.

BCE has raised the dividend by at least 5% in each of the past 14 years. At the time of writing the stock trades near \$64, compared to the 12-month high of \$74, and provides an annualized yield of 5.75%.

BCE is a good stock to buy for investors who don't want to spend a lot of time watching the share price or worrying about the gyrations in the economy. The telecom giant gets most of its revenue from mobile and internet subscription services. These are considered essential for most households and businesses, so the revenue stream tends to hold up well even in an economic downturn. Notably, subscribers to TV services will often cut other discretionary spending before cancelling their entertainment subscriptions when money gets tight.

Long-term investors have done well owning BCE stock. A \$50,000 investment in BCE shares just 25 years ago would be worth about \$950,000 today with the dividends reinvested.

The bottom line on building wealth for retirement

BCE is just one example of a top TSX dividend stock that has delivered solid total returns for buy-and-hold investors. There is no guarantee that BCE will generate the same results in the coming decades, but the stock still deserves to be on your radar for a TFSA or RRSP retirement fund.

The strategy of buying top dividend stocks and using the distributions to acquire new shares is a proven one for building wealth. Investors can currently find a number of great TSX dividend-growth stocks trading at cheap prices to create a diversified retirement portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:BCE (BCE Inc.)
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