



How to Turn a \$10,000 TFSA or RRSP Into \$255,000

Description

The [market correction](#) is giving Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors an opportunity to buy great Canadian stocks at cheap prices. One popular [investing strategy](#) for building wealth in a retirement portfolio involves buying top [TSX](#) dividend stocks and using the distributions to acquire new shares. This harnesses the power of compounding and can turn a relatively small initial portfolio into a substantial personal pension over time.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) is Canada's largest energy company with a [market capitalization](#) of \$80 billion. The stock is not as cheap as it was at the bottom of the pandemic crash, but CNRL still looks [undervalued](#), especially after the pullback from the June highs.

CNRL is generating significant profits at current oil and natural gas prices. Net earnings for the first six months of 2022 came in at \$6.6 billion compared to \$2.9 billion in the same period last year.

The company is best known for its portfolio of oil assets that includes oil sands, conventional heavy oil, light oil, and offshore oil facilities. However, CNRL is also a major Canadian natural gas producer and owns a vast untapped land base in key natural gas basins in western Canada that have the potential to drive growth for decades. The natural gas assets are particularly important now that global liquified natural gas (LNG) demand is rising. CNRL is in a good position to sell to the LNG market through new LNG facilities being built in British Columbia.

CNRL tends to own 100% of its assets. This raises risk on big projects, but it also gives management the flexibility to move capital around the portfolio to take advantage of shifts in commodity prices. That is harder to do if the company has a partner on a project.

Dividends

The board raised the dividend in each of the past 22 years, and CNRL has a compound annual

dividend growth rate of about 22% over that timeframe. CNRL increased the quarterly base dividend by 28% to \$0.75 per share in 2022 and is starting to give investors bonus dividends depending on quarterly net cash positions. The second-quarter (Q2) 2022 bonus is \$1.50 per share.

Oil and natural gas prices are expected to remain high for several years amid rising demand and limited capacity across the industry to increase supply. Producers slashed investment over the past two years and net-zero emissions goals will keep a lid on major new capital projects.

CNRL trades near \$72 per share at the time of writing compared to \$88 at the 2022 high. Investors who buy the stock at the current price can pick up a 4.1% yield on the base dividend and wait for the payouts to increase in the coming years.

The company is using excess cash to reduce debt and buy back stock. This will free up more cash to be distributed to shareholders in the future, as interest expenses fall and the number of shares declines.

A \$10,000 investment in CNQ stock 25 years ago would be worth more than \$255,000 today with the dividends reinvested.

The bottom line on top stocks to buy for dividends and total returns

The strategy of buying top dividend stocks and using the distributions to acquire new shares is a proven one for building wealth.

CNRL is just one example of a good dividend-growth stock investors can buy for generating income and total returns. There is no guarantee the stock will deliver the same results in the next 25 years, but CNQ still deserves to be part of a diversified [TFSA or RRSP](#) portfolio.

The **TSX Index** is home to several top dividend stocks that now look cheap to buy for a self-directed retirement fund.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn

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

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/29

Date Created

2022/09/05

Author

aswalker

default watermark

default watermark