



Retire Early: How to Turn a \$20,000 TFSA or RRSP Into \$400,000

Description

The [market correction](#) is providing Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors with a chance to buy great Canadian dividend stocks at cheap prices for self-directed portfolios that are focused on total returns.

One popular [investing strategy](#) to generate retirement wealth involves buying top [TSX](#) dividend stocks and using the distributions to acquire new shares. This process harnesses the power of compounding and can turn small initial investments into significant savings over time.

Fortis

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) owns a \$60 billion basket of utility assets located in Canada, the United States, and the Caribbean. The businesses include power generation, electricity transmission, and natural gas distribution operations that get 99% of their revenue from regulated operations. This means cash flow tends to be predictable and reliable.

Fortis has a good track record of growing through a combination of acquisitions and internal projects. The current \$20 billion capital program is expected to boost the rate base by more than \$10 billion over five years. Management says the resulting increase in cash flow will support average annual dividend growth of 6% through 2025. Fortis raised the payout in each of the past 48 years, so the guidance should be solid.

Fortis is a good stock to buy in an era of economic uncertainty. Households and businesses need to keep the lights on and heat their buildings, even in a recession.

A \$10,000 investment in Fortis stock 25 years ago would be worth about \$170,000 today with the dividends reinvested.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a leading player in the North American energy infrastructure industry with oil and natural gas pipeline networks that move 30% of the oil produced in Canada and the United States and 20% of the natural gas used by Americans. Enbridge also owns natural gas utility businesses and a growth renewable energy group.

Management is investing new capital in export and [ESG](#) (environmental, social, and governance) opportunities. Enbridge purchased an oil export terminal and related pipeline infrastructure for US\$3 billion last year. The company also recently announced a deal to take a 30% stake in the \$5.1 billion Woodfibre liquified natural gas (LNG) LNG facility being built in British Columbia. In addition, Enbridge has carbon storage and hydrogen projects on the go that will help drive future revenue expansion as more businesses seek to hit net-zero emissions goals.

Enbridge raised its dividend in each of the past 27 years. Investors should see the payout increase by 3-5% annually over the medium term, supported by the current \$13 billion capital program. Enbridge is a good stock to buy if you want exposure to the energy market, but don't want to take on the direct commodity risk that comes with owning the oil and gas producers.

The dividend currently provides a 6.3% dividend yield. That's good for TFSA investors seeking passive income and for RRSP investors looking for total returns. A \$10,000 investment in Enbridge stock 25 years ago would be worth about \$230,000 today with the dividends reinvested.

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

The strategy of buying top TSX dividend stocks and using the distributions to acquire new shares is a proven one for building retirement wealth. Fortis and Enbridge are good examples of great Canadian dividend stocks that have generated strong total returns over the years and remain attractive picks.

A number of other leading TSX dividend-growth stocks now trade at cheap prices and deserve to be on your radar for a diversified TFSA or RRSP portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:FTS (Fortis Inc.)

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