Retire at 50: How to Turn a $25,000 TFSA or RRSP Into $475,000

Description

Young investors can take advantage of the market correction to buy great TSX stocks at cheap prices for their Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSPP portfolios. One popular investing strategy for building retirement wealth involves owning top dividend stocks and using the distributions to acquire new shares.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a good stock to buy for both passive income in retirement and for total returns, as investors build their nest eggs.

The company is a giant in the Canadian communications industry with a current market capitalization of $58 billion. BCE delivers steady revenue and cash flow growth to support the generous dividend. The board has raised the payout by at least 5% in each of the past 14 years.

BCE knows it has to invest heavily to protect its market position and grow revenue. In 2022, BCE is spending $5 billion on capital projects. The company will directly connect another 900,000 customers with fibre optic lines this year. Owning the high-speed connection to the building is a good way to keep customers, and it gives BCE new opportunities to sell higher data plans or add services.

BCE is also expanding its 5G mobile network. Management spent $2 billion on new 3,500-megahertz spectrum licences last year that will be the foundation for the continued rollout of the program.

BCE reported solid results for the second quarter (Q2) of 2022. Adjusted net earnings rose 5.3% compared to Q2 last year. Free cash flow increased 7.1%. BCE says it is on track to deliver year-over-year earnings-per-share growth of 2-7%. Free cash flow is expected to rise by 2-10% compared to 2021.

At the time of writing, BCE stock looks cheap. The shares trade for close to $63.50 compared to $74 a few months ago. Investors who buy now can pick up a 5.8% dividend yield.

A $25,000 investment in BCE stock 25 years ago would be worth about $475,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company with $60 billion in assets located in Canada, the United States, and the Caribbean. The businesses include power generation, electricity transmission, and natural gas distribution operations. These are all essential services, so the revenue stream tends to hold up well during difficult economic times.

Fortis is a good stock to buy for a portfolio focused on dividend growth. The board has raised the payout in each of the past 48 years, and management is targeting average annual dividend increases of 6% through 2025. That’s solid guidance in the current economic environment.

Fortis is working through a $20 billion capital program that will increase the rate base by about a third by the end of 2026. The resulting revenue and cash flow increases should support the dividend growth.

A $25,000 investment in Fortis stock 25 years ago would be worth about $425,000 today with the dividends reinvested.

The bottom line on top stocks to buy for total returns

BCE and Fortis are good examples of stocks that investors can buy and simply sit on for years to generate solid 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. Investors now have a chance to buy a number of Canadian dividend stars at discounted prices for a self-directed TFSA or RRSP.

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1. Dividend Stocks
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