2 Stocks That Could Grow Your Portfolio Over the Next Decade

Description

Stock investors can grow their portfolios via income and price appreciation. High-yield dividend stocks that pay out safe dividends provide low-risk and stable returns from big dividends no matter what the stock market does. Business growth and increasing dividends provide additional returns by providing price appreciation and more income over time.

BCE stock

One thing that attracts investors to **BCE** (TSX:BCE)(NYSE:BCE) stock is its rich dividend. The stock has corrected close to 17% from its 52-week high, pushing its dividend yield to almost 6%. Income investors absolutely love this juicy yield!

The thing is, dividend stocks aren't worth as much now because interest rates are higher (and expected to continue rising in the near term). Higher interest rates make certain lower-risk, fixed-income investments more attractive. These fixed-income investments compete with dividend stocks for investors' money.

That said, BCE has a track record of increasing its dividend. This growth component increases investors' total returns. Its 10-year dividend-growth rate is 5.5%. Assuming a 5% growth rate going forward, the approximated long-term total returns would be 11% without valuation expansion.

This week, Christine Poole, chief executive officer and managing director at GlobeInvest Capital Management, picked BCE as one of her top stock picks on *BNN*:

> "We like the near-6% yield, which is safe. And it keeps increasing. They're benefiting from more international travel, given roaming cell revenues. Also, immigration is ramping up in years to come; immigrants will buy cell phones and internet access. BCE is building out its fibre network, targeting 80% of their footprint covered by 2025. Capital spending has ramped up. Once they cover that, they will generate a lot of free cash flow."

TD stock

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) stock is another dividend payer that is set to grow over the next decade and beyond. The big Canadian bank stock is not a super bargain yet, but it still offers a discount of about 10% from its long-term normal valuation. And it starts you off with an initial dividend yield of 4%.

Its dividend is at the low end of the yield range of the Big Six Canadian banks. This implies the market expects greater growth from the stock. Indeed, Poole highlighted TD Bank's recent activities on the acquisitions front.

> "TD will acquire First Horizon bank in the U.S. southeast which will expand TD's presence there. As interest rates rise along with loan growth, TD's net interest margin will expand. They also bought **Cowen** to expand in capital markets. They still have a strong balance sheet."

The First Horizon all-cash transaction is valued at US$13.4 billion and expected to close between November 2022 and January 2023. Cowen, a quality and fast-growing investment bank, is also an all-cash transaction — valued at US$1.3 billion. Both acquisitions greatly accelerate TD's U.S. growth strategy.

For reference, TD stock's 10-year dividend-growth rate is 9.2%. Assuming an 8.5% growth rate (the midpoint of its 7-10% medium-term target) going forward, the approximated long-term total returns would be 12.5% without valuation expansion.

The Foolish investor takeaway

Rising interest rates are dampening corporate growth in the near term. Therefore, it would be smart for Foolish investors to populate their portfolios with solid, high-yield dividend stocks that pay nice and safe dividend yields. Both BCE and TD are good choices to buy on dips.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BCE (BCE Inc.)
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Date
2025/07/01
Date Created
2022/09/21
Author
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