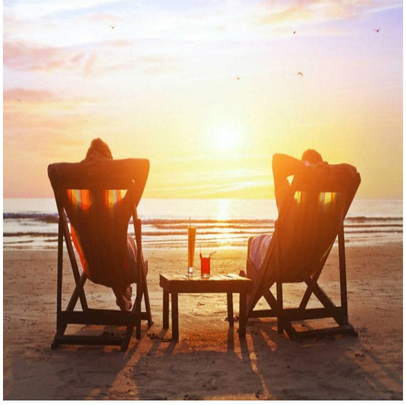

3 TSX Stocks That Could Help Set You Up for Life

Description

The earlier you start (and stick) to investing for good returns, the more wealth you will accumulate. In the last 10 years, the Canadian stock market (using **iShares S&P/TSX 60 Index ETF** as a proxy) delivered total returns of 8.2% per year. That's a good return, given that during the period, inflation wasn't that high — unlike now. The latest Canadian data from *Statistics Canada* showed that in August, inflation was 7% year over year.

Assuming we don't get a prolonged period of high inflation, it would be marvelous to get annualized returns of at least 10% if you're picking individual stocks carefully for your diversified investment portfolio.

With that said, here are three **TSX** stocks that could help set you up for life and deliver estimated returns of at least 10% over the next three to five years.

RBC stock

As a leading Canadian bank, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) stock is an excellent core holding. At about 11.2 times earnings, the bank stock trades at a slight discount from its long-term normal valuation. It could go lower over the next six months, as the economy doesn't look too healthy right now.

Inflation is high and the Bank of Canada is increasing interest rates, which should curb inflation. In doing so, it could dampen (economic and business) growth or even trigger a recession. If RBC stock falls lower, long-term investors should accumulate shares to set them up for life.

Royal Bank targets a medium-term earnings-per-share growth rate of 7-10% annually. At below $125 per share at writing, it provides a safe yield of 4.1%. Its payout ratio is estimated to be healthy at about 44% this fiscal year. Assuming a 7% earnings-per-share (EPS) growth rate, a 4.1% dividend, and no valuation expansion, its approximated total returns over the next three to five years would be 11.1%.

If you could invest $10,000 a year for an 11.1% return per year for 30 years, you'd accumulate wealth of $2,028,753!

Brookfield Asset Management stock

If you don't care about getting a good dividend, you should buy some **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) shares now and on further dips to be growth focused. The global alternative asset manager is focused on delivering long-term returns of 12-15% per year on its investments.

It owns, operates, and invests in a large and diversified portfolio of quality assets across real estate, infrastructure, renewable power, private equity, and credit. Currently, it has more than US$750 billion of assets under management. It manages investments for both institutional and retail investors, earning stable management fees in any economy and substantial performance fees when it realizes large gains on the funds.

BAM's 10-year returns are 17.5%. The growth stock is undervalued by 30% according to the 12-month analyst consensus price target. Let's be conservative and assume no valuation expansion, a 15% return from price appreciation, and 1.2% return from its dividend each year over the next three to five years. That'd be an approximated annual return of 16.2%.

If you're able to invest $10,000 a year for a 16.2% return per year over 30 years, you'd accumulate wealth of $5,518,717!

Magna stock

Auto parts maker **Magna International** (TSX:MG)(NYSE:MGA) could be a good buy at current levels. The company continues to invest for the long term. For example, in the past three years, it allocated almost 42% of its operating cash flow in capital investments in areas such as electrification and autonomy.

The stock is quite sensitive to the ups and downs of the economic cycle. It had a super rally, tripling investors' money, from the 2020 pandemic market crash bottom to the peak. After giving away some of those gains and falling more than 40% from the peak, it could be a good time accumulate shares. Its next leg of growth might take a couple of years to be evident. Patient investors get to collect a 3.4% dividend yield for the wait.

Investors can potentially book outsized price gains over the next three to five years to set them up for life. Over the next 12 months alone, analysts believe the cyclical stock has upside potential of about 55%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:MGA (Magna International Inc.)

3. NYSE:RY (Royal Bank of Canada)
4. TSX:BN (Brookfield)
5. TSX:MG (Magna International Inc.)
6. TSX:RY (Royal Bank of Canada)

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