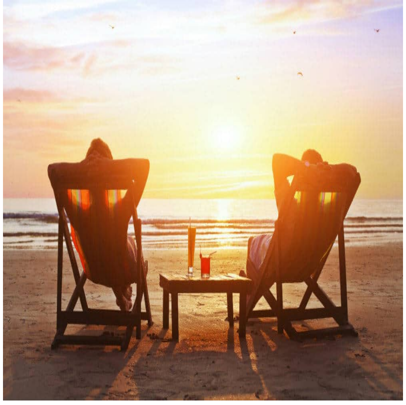

Canadians: 3 Easy Stocks to Invest in for Retirement

Description

Retirement, if not planned well, can be disappointing. Planning for retirement shouldn't begin when you near this phase of your life. It should begin when you are in the prime of your career. This provides you with the luxury of time to devote to your retirement fund. And stocks should be an integral part of that fund over the long-term. They can grow with the economy and reward you handsomely.

How Canadians can grow retirement investments tax-free

Canadians have a Registered Retirement Savings Plan (RRSP) to grow investments tax-free. What does this mean? If you sell some stocks, you can buy other stocks without paying dividends or capital gain tax. This benefit applies as long as the funds don't leave the RRSP.

For instance, you invest $1,000 in a growth stock and sell it when it blossoms to $3,000. You now have $3,000 to invest in another stock.

How can you grow your investments tax-free? Divide your retirement portfolio into three sub-segments: capital appreciation, income generation, and wealth creation.

Long-term growth stocks for capital appreciation

You can start saving for retirement with long-term growth stocks that you buy and forget. This will grow your capital in line with the economy. **Descartes Systems** (TSX:DSG)(NASDAQ:DSGX) is a great share to start a retirement fund.

Why? It's a supply chain solutions provider that caters to a diverse customer base from airlines to energy to e-commerce. Its wide range of solutions, like route planning, inventory management, e-commerce connectivity, and customs compliance, is used by supply chain networks worldwide. As trade becomes more and more complicated, demand for Descartes solutions grows. Thus, Descartes will be a growth stock for decades to come.

In the last five years, Descartes's share has enjoyed an average annual capital growth of 30%, and it can continue to provide double-digit returns in the coming decade. The share moves in tandem with the market and outperforms it in the long-term. The tech stock meltdown and global supply chain disruption have pulled the stock price down 25% from its November 2021 high. Now is a good time to buy the share at a bargain and lock in an average capital appreciation of 15-18% in the long-term.

Dividend stocks for income generation

While capital appreciation will build wealth, dividend stocks allow you to benefit from the power of compounding. Many dividend stocks offer a dividend reinvestment plan (DRIP) that reinvests declared dividends to buy more stocks of the same company. This increases your income-generating abilities, and the regular investing pattern reduces your average cost per share in a volatile market.

TC Energy (TSX:TRP)(NYSE:TRP) is a good stock for DRIP. For more than 22 years, the company has paid regular quarterly dividends while growing them at a compound annual rate of 7%. As a pipeline operator, it earns regular cash flow from the toll money it collects for transmitting oil and gas. Plus, the company keeps building new projects that add to its income streams. This income pays for the debt raised to build the project, fund new projects, and pay dividends.

Even if the stock slows its average dividend growth to 5%, a $10,000 investment can compound to $70,700. When you retire, you can convert DRIP to a dividend-paying option and earn $3,500 annually in passive income.

Rebound stock for wealth creation

You can also consider investing in **Magna International** (TSX:MG)(NYSE:MGA), which is down 46% from its all-time high due to short-term headwinds. The global supply chain disruption has created an acute shortage of automotive chips, and a looming recession is affecting production.

These headwinds have subsequently delayed the electric vehicle (EV) revolution. But once these headwinds pass, Magna will likely rebound at an accelerated pace as it executes its orders from 24 of the top 25 EV suppliers.

This company is a major player in the transition to green and clean as evidenced by the fact that it allocated almost 42% of its operating cash flow to capital investments in areas such as electrification and autonomy over the past three years. Over the next 12 months alone, analysts believe the cyclical stock has upside potential of about 55%.

While it could take some time for Magna to experience its next leg of growth, patient investors can collect a 3.4% dividend while they wait.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NYSE:MGA (Magna International Inc.)
3. NYSE:TRP (Tc Energy)
4. TSX:DSG (The Descartes Systems Group Inc)
5. TSX:MG (Magna International Inc.)
6. TSX:TRP (TC Energy Corporation)

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