How to Turn a $30,000 TFSA or RRSP Into $550,000

Description

The market correction is providing Canadian retirement investors with an opportunity to buy great TSX dividend stocks at undervalued prices for self-directed Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) portfolios focused on total returns.

One popular investing strategy for building retirement wealth involves buying top dividend stocks and using the distribution to acquire new shares. This sets off a powerful compounding process that can turn modest initial investments into large retirement savings over time.

BCE

BCE (TSX:BCE)(NYSE:BCE) is typically viewed as a good stock to buy for passive income due to its generous dividend and steady payout growth. However, BCE has also proven to be a solid buy-and-hold pick for investors seeking strong total returns. In fact, a $15,000 investment in BCE stock 25 years ago would be worth more than $265,000 today with the dividends reinvested.

BCE raised the dividend by at least 5% in each of the past 14 years, and investors should see a similar increase in 2023. The company reported adjusted earnings growth of 5.3% in the second quarter (Q2) 2022 compared to the same period last year. Management says the business is on track to meet its target of 2-10% growth in free cash flow in 2022.

BCE stock trades near $62 per share at the time of writing and provides a 5.9% dividend yield. The stock was as high as $74 earlier this year, so there is decent upside potential once the market rebounds.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) trades for close to $64 at the time of writing compared to a high of $88 in June. The steep pullback in the share price is due to the drop in the price of oil from US$120 to the current price around US$80 per barrel.

CNRL still generates good profits at this level, and the company's large natural gas production operations are enjoying natural gas prices that remain elevated, as well. Oil and natural gas demand are expected to remain robust in the coming years and industry leaders say there is limited scope for increasing supply in a meaningful manner. This is broadly due to the steep investment cuts the sector made in the past two years. Pressure to reduce emissions will also put a cap on new large projects.

CNRL has raised the dividend in each of the past 22 years with a compound annual dividend-growth rate of about 22% over that timeframe. This makes it one of the best dividend-growth stocks on the TSX. Investors who buy CNQ stock at the current level can get a base dividend yield of 4.7%. The board gave investors a $1.50 per share bonus dividend in August as a result of the strong Q2 2022 results.

A $15,000 investment in CNQ stock 25 years ago would be worth about $285,000 today with the dividends reinvested.

The bottom line on top stocks to buy for total returns

BCE and CNRL are good examples of stocks with great track records of delivering dividend growth and attractive total returns. There is no guarantee that future gains will be the same, but these stocks look attractive right now for a diversified portfolio.

The strategy of buying top dividend stocks and using the payouts to acquire new shares is a proven one for building wealth. Investors can find many great TSX dividend stocks now trading at cheap prices.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:BCE (BCE Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media

7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2022/09/23
Author
aswalker