Compound Interest: 3 Dividend Stocks That Can Make You Rich

Description

Compound interest can be extremely powerful, particularly for long investment timelines. However, investing for the long haul and maximizing the power of compounding takes discipline and patience, as it requires implementing a buy-and-hold strategy.

Any investments can grow and compound over the long run, but dividend stocks that return capital to investors in addition to growing in value, are some of the best out there. These are often high-quality companies that are reliable and capable of taking profits out of the business to pay investors.

So, if you're looking to find high-quality dividend stocks that you can buy and hold for the long run and take advantage of the power of compound interest, here are three of the best investments that you can make today.

A top utility stock

Some of the most popular stocks to buy in this environment are defensive stocks such as utilities. In addition to the resiliency that they provide during periods of volatility, investors also benefit from their dividend yields and dividend growth profiles.

For example, **Emera** (TSX:EMA) is a stock that has a long track record of strong execution. It has increased its dividend for 15 consecutive years and offers an attractive yield of more than 4.6% today. Furthermore, it plans to increase the dividend by at least 4% annually through 2024.

This is attractive passive income, and the growth in Emera's profitability and payout to investors is what's driving long-term growth in the stock price.

Therefore, investors who have owned Emera over the last decade have earned a total return of roughly 160%, or a compound annual growth rate (CAGR) of 10%. So, if you're looking to take advantage of compound interest over the long haul, dividend growth stocks like Emera are excellent investments to consider.

High-quality growth stocks can help power your portfolio's growth

In addition to dividend growth stocks like Emera that offer higher dividend yields, companies that pay a much smaller dividend but are growing operations rapidly can be excellent investments.

If you're looking to use compound interest to your advantage, two high-quality growth stocks you could consider for your portfolio are **Dollarama** (TSX:DOL) and **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM).

Both Dollarama and Brookfield are two of the best Canadian stocks you can buy and hold for the long haul. They both offer relatively low dividend yields, but because they're such high-quality operators and are consistently expanding operations, they compound investors' capital rapidly, which is why they've earned such significant returns.

In Dollarama's case, the company has taken advantage of the shift in consumer habits, building out more stores and increasing its same-store sales growth. With Brookfield, the business continues to execute well, owning many high-quality and alternative assets such as infrastructure and renewables.

These two businesses can certainly struggle in the short-term from time to time. But over the long haul, they offer significant potential, which is why long-term investing is the best strategy.

Over the past 10 years, investors of Brookfield have earned a total return of 360% or a CAGR of 16.5%, truly impressive growth. Meanwhile, Dollarama investors have done even better, earning total returns of 675% or a CAGR of 22.75%.

These are two of several stocks that have put up incredible numbers in the past and have the potential to keep on growing. It's crucial, though, to ensure you're investing for the long haul in order to take advantage of this significant compound interest.

The bottom line on long-term investing and compound interest

If you had invested $5,000 in each of these three stocks as part of a well-diversified portfolio just a decade ago, they'd have a combined value that's just shy of $75,000, and that's after the significant selloff that we've seen this year!

So, if you're looking to add stocks to your portfolio in this environment, consider dividend stocks and remember to think long-term in order to enjoy the spoils of compound interest.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BN (Brookfield)
3. TSX:DOL (Dollarama Inc.)
4. TSX:EMA (Emera Incorporated)

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. agraff
2. danieldacosta

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/07/21
Date Created
2022/09/27
Author
danieldacosta