How to Turn $10,000 Into $150,000 in 25 Years

Description

The market correction is tough to watch, but it gives investors a chance to buy great TSX stocks at undervalued prices. One popular strategy for creating wealth for retirement involves building a balanced portfolio of top dividend stocks and using the distributions to acquire new shares. This harnesses the power of compounding and can turn modest initial investments into significant savings over time.

TD Bank

TD (TSX:TD) is Canada's second-largest bank by market capitalization. The company is well known to Canadian investors for its domestic retail banking operations. However, TD actually has more branches south of the border, and the American businesses is about to expand. TD is in the process of buying **First Horizon** for US$13.4 billion. The deal will add more than 400 branches to the current American business and will make TD a top-six bank in the U.S. market. The existing U.S. retail banking operations contributed 29% of its reported earnings for the fiscal third quarter (Q3) of 2022.

This is important for investors who like the long-term prospects for the American economy and want to get exposure to economic growth in the country through a top Canadian stock.

TD has paid a dividend in each of the past 164 years, and the board raised the distribution by 13% for fiscal 2022. Since 1995, the compound annual dividend-growth rate is about 11%. That's good news for investors who use the dividends to buy new shares. At the current share price of $84, the stock offers a 4.25% dividend yield. TD traded as high as $109 earlier this year.

A $5,000 investment in TD stock 25 years ago would be worth $75,000 today with the dividends reinvested.

BCE

BCE (TSX:BCE) is another top dividend stock that looks oversold right now and offers an attractive

6.3% dividend yield. The share price currently sits at $58 compared to $74 in April.

BCE gets most of its revenue from essential wireline and wireless services. Households and businesses need to have internet access and mobile phone connections regardless of the state of the economy. This makes BCE a good stock to own during an economic downturn.

BCE has the power to raise prices when its costs increase. That's good news for investors in the current era of high inflation.

The company is spending $5 billion in 2022 on network upgrades to protect the wide competitive moat BCE enjoys while setting the business up for decent revenue and cash flow growth in the coming years. BCE is expanding its 5G mobile network and rolling out fibre optic lines directly to the premises of another 900,000 customers this year.

A $5,000 investment in BCE stock 25 years ago would also be worth about $75,000 today with the dividends reinvested.

The bottom line on top dividend stocks to buy now

TD and BCE pay attractive dividends that should continue to grow. The stocks are good examples of how investors can use the power of compounding to build wealth, and both still deserve to be core picks in a diversified retirement fund. The TSX is home to many great dividend stocks that now trade at undervalued prices and should deliver strong total returns over the coming years.

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