



## How to Turn a \$10,000 TFSA or RRSP Into \$130,000

### Description

The [market correction](#) is giving Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors a chance to buy great [TSX](#) dividend stocks at discounted prices. One popular strategy for building retirement wealth involves buying a basket of quality dividend-growth stocks and using the distributions to acquire new shares.

### Power of compounding

Using dividends to buy additional shares takes advantage of dips in the stock price while slowly building the size of the portfolio. Each new share acquired subsequently increases the amount of dividends paid in the next distribution. These, in turn, buy even more shares. The compounding effect can turn a relatively small initial investment into a large portfolio over time, especially when the size of the dividend increases at a regular pace.

Let's take a look at two stocks that have generated strong total returns for patient investors.

### Fortis

**Fortis** ([TSX:FTS](#)) is a utility company with \$60 billion in assets located in Canada, the United States, and the Caribbean. The company grows through a combination of strategic acquisitions and internal projects. The current \$20 billion capital program is expected to boost the rate base by about a third to more than \$41 billion by 2026. The resulting increase in revenue and cash flow is projected to support average annual dividend hikes of 6%.

Fortis recently raised the dividend by 6%, marking the 49th straight year of payout gains. That's the kind of reliability investors want to see when picking stocks for a retirement fund.

Long-term investors have enjoyed solid returns. A \$5,000 investment in Fortis stock 25 years ago would be worth about \$70,000 today with the dividends reinvested.

## Bank of Montreal

**Bank of Montreal** ([TSX:BMO](#)) paid its first dividend in 1829 and has since given investors a slice of the profits every year. The board raised the dividend by 25% near the end of 2021 when the government ended the pandemic bank on dividend hikes by banks. Bank of Montreal then increased the payout by another 4.5% this year when the company announced the fiscal second-quarter (Q2) 2022 results.

Bank of Montreal is in the process of buying **Bank of the West** for US\$16.3 billion. The deal will expand Bank of Montreal's large U.S. operations into the California market. Bank of the West gets 70% of its deposits from clients in the state.

BMO stock is down 10% in 2022. The pullback is due to rising recession fears, but the drop now appears overdone. Bank of Montreal has a solid capital position to ride out a downturn and the long-term growth potential for the business in the United States is attractive.

Bank of Montreal provides a 4.4% dividend yield at the time of writing. A \$5,000 investment in BMO stock 25 years ago would be worth about \$60,000 today with the dividends reinvested.

## The bottom line on top stocks to build retirement wealth

Fortis and Bank of Montreal are just two examples of stocks that have helped investors create retirement wealth and should still be attractive picks for a balanced fund. The strategy of buying a diversified portfolio of leading dividend stocks and using the distributions to acquire new shares is a proven one for building a self-directed pension.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:FTS (Fortis Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:FTS (Fortis Inc.)

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