



2 TSX Stocks That Could Make You Rich for Retirement

Description

The [market correction](#) is giving self-directed Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors a chance to buy top Canadian stocks at [undervalued](#) prices.

One popular strategy for building retirement wealth involves buying great [TSX](#) dividend stocks and using the distributions to acquire new shares. This takes advantage of the power of compounding and can turn small initial investments into large holdings over time.

Fortis

Fortis ([TSX:FTS](#)) is a utility company with \$60 billion in assets located in Canada, the United States, and the Caribbean. The stock should be an attractive pick heading into an economic downturn. Fortis gets 99% of its revenue from regulated businesses that provide essential services. These include power generation, electricity transmission, and natural gas distribution.

Fortis recently raised the dividend by 6%. The board intends to increase the payout by an average of 6% per year through 2025. This is good guidance in the current economic environment. Fortis has a \$20 billion capital program on the go that will boost the rate base by about a third through 2026. The resulting increase in revenue and cash flow should support the dividend growth. Fortis has raised the dividend for 49 consecutive years, so investors should feel comfortable with management's outlook.

The stock is down from \$65 earlier this year to the current price near \$52. The drop appears overdone given the stability of the revenue stream. Investors who buy Fortis stock at the current level can get a 4.3% dividend yield and look forward to regular payout growth.

Long-term investors have done well holding Fortis in their portfolios. A \$10,000 investment in Fortis 25 years ago would be worth about \$145,000 today with the dividends reinvested.

Royal Bank

Royal Bank ([TSX:RY](#)) is Canada's largest financial institution with a current [market capitalization](#) of \$172 billion. The bank also ranks among the top 10 in the world based on this metric.

Royal Bank made it through the pandemic in good shape. The company generated \$16 billion in earnings in 2021 and maintains a strong capital position that will enable the company to ride out anticipated economic turbulence while giving Royal Bank the financial firepower to make strategic acquisitions and continue to return cash to shareholders.

Royal Bank increased the dividend by 11% late last year when the government ended the pandemic ban on bank dividend hikes. Royal Bank raised the payout by another 7% this spring. The generous moves suggest the management team and board of directors are comfortable with the revenue and earnings prospects, even as economists predict tough economic times for 2023 and 2024.

Royal Bank stock trades near \$124 per share at the time of writing compared to more than \$149 at the 2022 high. Ongoing volatility should be expected in the coming quarters, but the stock appears oversold at this point and should be a solid pick for a buy-and-hold retirement fund. The dividend yield is a decent 4.1%.

A \$10,000 investment in RY stock 25 years ago would be worth more than \$160,000 today with the dividends reinvested.

The bottom line on top TSX stocks to buy to build wealth

Fortis and Royal Bank are good examples of top TSX dividend stocks that have provided good returns for patient investors.

There is no guarantee these stocks will deliver the same results in the future, but they still deserve to be on your radar. The strategy of buying top TSX dividend stocks and using the distributions to acquire new shares is a proven one for building long-term retirement wealth.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. NYSE:RY (Royal Bank of Canada)
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Date

2025/09/26

Date Created

2022/10/29

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