How to Turn a $30,000 TFSA or RRSP Into $770,000

Description

The market correction is scary, but it gives investors a chance to buy great TSX dividend stocks at discounted prices for a self-directed Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP) pension fund. One popular strategy for building retirement wealth involves buying a balanced portfolio of reliable dividend-growth stocks and using the distributions to acquire new shares.

Canadian National Railway

CN (TSX:CNR) is a good example of a steady dividend stock that has generated solid long-term returns for patient investors. The dividend yield is only about 2%, but CN is one of the top dividend-growth stocks on the TSX with a compound annual dividend-growth rate of about 15% since the company began to trade on the TSX in the 1990s.

CN raised the dividend by 19% for 2022. Another generous increase is probably on the way for 2023. CN recently reported record results, supported by strong demand for its transportation services and the company's ability to raise prices as its costs increase. This is important to consider in the current environment of high inflation.

CN generated a 26% increase in revenue in the third quarter of 2022 compared to the same period last year. For the first nine months of 2022, free cash flow came in at $2.92 billion compared to $2.03 billion in the first three quarters of 2021. Management increased the 2022 guidance. Full-year adjusted diluted earnings per share is now expected to grow by 25%. That's up from the 15-20% target announced in the spring.

CN operates a unique rail network that connects ports on three coasts. This gives the company an advantage when competing for transport orders with domestic and international clients.

Long-term investors have done well with CNR stock. A $15,000 investment in the shares 25 years ago would be worth about $560,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS) is down to $53 from the 2022 high around $65 per share. The pullback looks overdone at this point, and investors can pick up a decent 4.25% yield with reliable dividend growth on the horizon.

Fortis owns $63 billion in power generation, electricity transmission, and natural gas-distribution assets located across Canada, the United States, and the Caribbean. A full 99% of the revenue comes from regulated businesses providing essential services. This means cash flow should hold up well, even during a recession.

Fortis has a $22.3 billion capital program planned for 2023 to 2027. The resulting increase to the rate base should drive revenue and cash flow growth to support targeted annual dividend increases of 4-6% through the end of 2027. That's solid guidance during challenging times. Fortis has increased the payout for 49 consecutive years.

A $15,000 investment in Fortis stock 25 years ago would be worth about $210,000 today with the dividends reinvested.

The bottom line on top stocks to build wealth

There is no guarantee CN and Fortis will deliver the same returns in the next 25 years, but they still deserve to be part of a diversified portfolio of dividend stocks focused on generating decent long-term total returns.

The TSX is home to many great dividend-growth stocks that now appear oversold and should be on your radar for a self-directed retirement portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)

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