



## How to Turn \$24,000 Into \$405,000 by the Time You Retire

### Description

The [market correction](#) is giving Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP) investors an opportunity to buy top [TSX](#) stocks at [undervalued](#) prices. A popular [investing strategy](#) for building retirement wealth involves buying a diversified basket of high-quality TSX dividend stocks and using the distributions to acquire new shares.

### BCE

**BCE** ([TSX:BCE](#)) enjoys a strong competitive position in the Canadian communications sector. The company is the largest player with a current [market capitalization](#) of \$57 billion. Being big gives BCE the ability to make the investments that are required to protect the wide competitive moat. BCE is investing \$5 billion in 2022 alone on a combination of wireline and wireless initiatives. The company will connect 900,000 clients directly to the fibre optic network. At the same time, BCE continues to roll out its [5G](#) mobile network. The investments open up the opportunity to boost revenue through additional services and higher-value subscriptions.

BCE generated solid earnings for the third quarter (Q3) of 2022 and confirmed its guidance for revenue, earnings, and free cash flow growth this year. The essential nature of the services means BCE's revenue stream should hold up well during a recession. This makes BCE stock attractive in the current environment.

The stock currently trades near \$63 per share compared to \$74 earlier this year. Investors might be concerned that rising interest rates will drive up debt costs and put pressure on cash available for distributions. The other side of higher rates is the better return BCE can get on cash earmarked for its pensioners, helping reduce or eliminate top-ups required to meet future obligations.

Investors who buy BCE stock at the current level can get a 5.85% dividend yield. Long-term holders of BCE stock have enjoyed attractive total returns. A \$12,000 investment in the shares 25 years ago would be worth about \$215,000 today with the dividends reinvested.

## TD Bank

**TD** ([TSX:TD](#)) trades near \$88 per share at the time of writing compared to \$109 at one point in early 2022. The steep decline came about as part of a broad-based pullback in bank stocks due to rising recession fears.

The Bank of Canada and the United States Federal Reserve are raising interest rates aggressively to try to get inflation under control. Their hope is that higher borrowing costs will force people to spend less money on discretionary items. This, in turn, should remove excess demand out of the economy and lead to a rebalancing of the labour market. Ideally, the result will be a drop in the rate of inflation to the target of about 2%. Inflation in the U.S. in October was 7.7%. The rate in Canada in September was 6.9%.

Investors are concerned that TD's loan growth will slow meaningfully and deposits will continue to fall as people and companies tap savings to cover higher expenses and rising debt costs. Loan defaults are also expected to increase.

Some rough times are likely on the way, but TD has a strong capital position to ride out a downturn and the drop in the share price is probably overdone. Economists widely expect a recession to be short and mild next year.

TD has a great track record of dividend growth with a compound annual dividend growth rate of better than 10% over most of the past three decades. A \$12,000 investment in TD stock 25 years ago would be worth about \$190,000 today with the dividends reinvested.

## The bottom line on top stocks to buy for retirement

BCE and TD are good examples of top Canadian dividend stocks that have delivered solid long-term total returns for investors. There is no guarantee that future results will be the same, but these stocks still deserve to be on your radar for a diversified portfolio of dividend stocks held inside a self-directed retirement fund.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:TD (The Toronto-Dominion Bank)

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