



How to Turn a \$10,000 TFSA or RRSP Into \$415,000 for Retirement

Description

Canadian investors are using their Tax-Free Savings Account (TFSA) and self-directed Registered Retirement Savings Plan (RRSP) to build diversified portfolios of [top stocks](#) as part of their retirement program.

An [investing strategy](#) that has proven to help build wealth over the long term involves buying top [TSX](#) dividend stocks and using distributions to acquire additional shares. The compounding process can turn relatively small initial investments into significant savings over time. This is particularly the case when the company raises the dividend steadily, providing support for a higher share price.

Canadian National Railway

CN ([TSX:CNR](#)) is a major player in the North American rail industry with a unique network of tracks that connects ports on three coasts. This gives CN competitive advantage when domestic and international shippers are searching for efficient options to move their goods. CN provides transport services for many segments, including lumber, coal, crude oil, cars, fertilizer, grain, and finished goods. As the Canadian, U.S., and global economies expand, CN generally sees an increase in demand for its services.

The business is having a good year. CN generated record revenue in the third quarter of 2022. The results showed that CN is able to boost prices as its costs increase. This is important in the current era of high inflation, which is partly driven by soaring fuel expenses. Management raised guidance for 2022. Investors should see the solid performance continue next year, even if a recession arrives. Demand for commodities, in particular, is expected to remain robust. Adjusted diluted earnings-per-share growth is expected to be 25% in 2022, which is up from the previous target of 15-20%.

CN generates revenue in both Canada and the United States. This makes CN a good stock to own if you want to get exposure to U.S. economic expansion through a top Canadian company.

CN raised the dividend by 19% for 2022, marking the 26th year in a row the board has increased the payout. The company is also returning cash to shareholders by buying back up to \$5 billion in stock

under the current 12-month share-repurchase plan.

Returns

CN stock trades for \$170 per share at the time of writing. That's close to its high for the year. Investors have done well owning CN stock since it began trading as a public company in the 1990s. Compound annual dividend growth has averaged about 15%.

A \$10,000 investment in CN stock 25 years ago at the split-adjusted price of \$6.13 per share would have purchased about 1,631.32 shares. These would be worth about \$277,325.00 today at the current share price. In addition, investors would have received \$22.14 per share in dividends. That's about \$36,117.00, so the total value on the \$5,000 investment would be more than \$313,000 today.

If investors automatically reinvested the dividends the stocks would currently have a value of more than \$415,000. That's a tidy sum for a retirement fund.

The bottom line on top stocks for a retirement fund

There is no guarantee that CN will deliver the same returns in the next 25 years, but the stock still deserves to be a core holding in a diversified portfolio of top TSX stocks. The strategy of buying high-quality dividend stocks and using the distributions to acquire new shares is a proven one for building wealth and TSX is home to many leading dividend stocks that look attractive today for a retirement fund.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CNR (Canadian National Railway Company)

PARTNER-FEEDS

1. Business Insider
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Date

2025/07/21

Date Created

2022/11/29

Author

aswalker

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