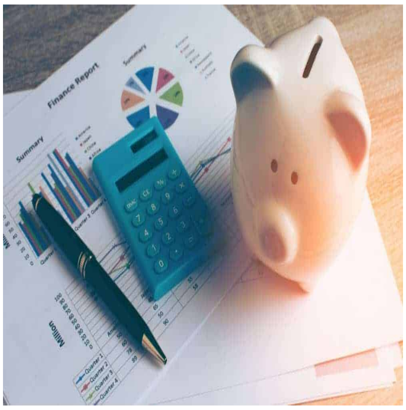

How to Turn $10,000 Into $200,000 for Retirement

Description

A market correction can be a scary time for investors, but pullbacks in high-quality dividend stocks can provide good opportunities to add to existing positions or start a new retirement portfolio.

One popular investing strategy involves buying top dividend stocks and using the distributions to acquire new shares. The process can be set up to happen automatically if the company offers a dividend-reinvestment plan (DRIP), or investors can simply collect the dividends and wait for market dips to buy new shares.

Enbridge

Enbridge (TSX:ENB) has raised its dividend in each of the past 27 years. The stock is up 12% in 2022 as of the time of writing and currently offers a 6.2% dividend yield. Enbridge is popular with retirees who simply prefer to pocket the dividends as part of their retirement income, but the stock has also generated attractive long-term total returns.

Enbridge isn't an oil or gas producer. The company simply transports the commodities from the production sites to destinations that include refineries, storage sites, utilities, or export facilities. Enbridge charges a fee for providing the services, so it isn't directly impacted by volatility in the price of oil or natural gas. As long as the pipelines are full, it doesn't really matter which way energy prices are headed.

Enbridge also operates natural gas utilities and has a growing renewable energy group that includes solar, wind, and geothermal assets. The company recently purchased a wind and solar development company in the United States and just announced the completion of an offshore wind farm in France.

In addition, Enbridge is expanding its export investments in both oil and liquified natural gas and is exploring opportunities in hydrogen and carbon sequestration. These new segments hold strong growth potential.

The capital program currently stands at $17 billion, and Enbridge has the balance sheet strength to make strategic acquisitions to drive additional revenue and profits expansion.

Returns?

Long-term investors have done well with the stock. A $10,000 investment in Enbridge 25 years ago would have purchased 1,333.33 shares at the split-adjusted price of about $7.50 per share. Enbridge currently trades for close to $56 per share, so the initial stock investment would be worth about $74,666.00 today.

In addition to the capital gains, investors would have collected about $33.50 per share in dividends over that timeframe, or about $44,667.00, thus turning the initial investment total gain into about $119,333.00.

If the dividends had been automatically reinvested rather than pocketed, the initial $10,000 would have compounded to about $200,000 right now.

The bottom line on top dividend stocks to buy for a retirement fund

There is no guarantee that Enbridge will deliver the same returns in the next 25 years, and the stock isn't immune to market pullbacks, but it still deserves to be a core holding in a diversified retirement portfolio.

The TSX is home to many top dividend stocks that have delivered great long-term returns. The strategy of buying reliable dividend stocks and using the distributions to acquire new shares is a proven one for building long-term wealth.

CATEGORY

1. Investing

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