How TFSA and RRSP Investors Can Turn $20,000 Into $291,000 in 25 Years

Description

Market corrections are tough to watch, but they often give investors a chance to buy top TSX dividend stocks at undervalued prices for diversified Tax-Free Savings Account (TFSA) or Registered Retirement Savings Account (RRSP) portfolios focused on total returns.

Fortis

Fortis (TSX:FTS) trades for close to $54 per share at the time of writing compared to $65 earlier in the year. The drop gives investors a chance to buy the stock at an attractive price and pick up a 4% dividend yield.

Fortis owns power generation, electricity transmission, and natural gas distribution businesses in Canada, the United States, and the Caribbean. Nearly all of the revenue comes from regulated assets. This means cash flow should be predictable and reliable, even during an economic downturn. Households and businesses need to keep the lights on and heat the buildings regardless of the state the economy.

Fortis is working on a $22.3 billion capital program through 2027. The resulting increase to the rate base is expected to support average annual dividend growth of 4-6% over that timeframe. This is decent guidance in an uncertain economic environment.

Fortis has increased the payout for 49 consecutive years, so investors should feel comfortable with the projections.

Long-term investors have done well with the stock. Fortis traded for a split-adjusted $10.56 per share 25 years ago. A $10,000 investment at the time would have since paid out $27.60 per share in dividends. If the dividends had been reinvested, the resulting holding would now be almost 2,443 shares currently worth more than $132,000.

TD Bank

TD (TSX:TD) is Canada's second-largest bank with a current market capitalization of about $166 billion. The company generated solid fiscal 2022 results, and management expects adjusted earnings per share to expand by 7-10% next year, even with a potential recession on the way.

TD built up a large pile of excess cash during the pandemic. Management is using the excess funds to make two acquisitions in the United States. The US$13.4 billion purchase of **First Horizon** will add more than 400 branches to the existing American business and will make TD a top-six bank in the U.S. market.

TD is also expanding its capital markets group with the US$1.3 billion purchase of **Cowen**, an investment bank.

Investors have received a compound annual dividend-growth rate of better than 10% over the past 25 years and this has helped drive strong total returns. A $10,000 investment in TD stock 25 years ago at the split-adjusted price of $13.33 would now be worth more than $159,000 with the dividends reinvested. TD trades near $91 per share at the time of writing. It was as high as $109 in the early part of 2022.

Investors who buy the stock at the current level can get a 4% dividend yield.

The bottom line on top TSX stock to build retirement wealth

There is no guarantee that Fortis and TD will generate the same returns in the future, but the stocks are reliable dividend-growth picks and deserve to be part of a balanced retirement fund.

The strategy of buying quality dividend stocks and using the distributions to acquire new share is a proven one for building long-term wealth. The TSX is home to many top dividend stocks that now appear undervalued.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred

6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Investing

Date
2025/07/28
Date Created
2022/12/06
Author
aswalker