These TSX Dividend Stocks Could Double Your Money in Less Than 8 Years

Description

It feels good and empowering to see your investment account(s) double in value in the shortest possible time. Capital gains alone can do it; however, dividend-paying stocks boost your total returns and make the job of increasing and doubling your wealth much easier. Using the simple Rule of 72, the following TSX dividend stocks could double your money in less than eight years: **Enbridge** (TSX:ENB) stock and **Magna International** (TSX:MG) stock.

The Rule of 72 is a simple mathematical method to estimate how fast an investment could double, given its expected returns. Given a 6% compounded annual return, we can estimate that it takes about 12 years for an investment account to double. Increasing the expected return to 10% reduces the estimated period for your money to double to just 7.2 years. Thus, an investment generating 10% in total returns each year, on average, could double your investment in less than eight years.

How TSX dividend stocks can double your money

A bird in hand could be worth more than five in the bush. The same philosophy applies to investing. Total returns are comprised of dividend yields and capital gains. Total returns are a sum of the dividend yield and capital gains (from stock price increases). Dividends provide a solid base for total returns each year. They are more valuable than evasive capital gains, which may depend on market sentiment, greed, and fear levels among stock traders.

Dividends lower the required rate of capital gains. Share prices need to grow at single-digit levels each year for you to double your money in under eight years.

Here's how Enbridge stock and Magna International could easily double your money.

Enbridge stock

Enbridge is a leading oil and gas pipeline operator in North America that enjoys solid cash flow from long-term contracts. Although new project licensing has become a hurdle as governments address climate change issues, Enbridge is embracing international oil and natural gas export growth opportunities. Rising exports could support ENB stock price growth over the next decade, and help your investment double in value.

The company pays a quarterly dividend that yields 6.7% annually. It's a dividend investor's dream stock. Enbridge recently increased its quarterly dividend by 3.2% for the January 2023 payout to mark its 28th consecutive annual dividend increase (the bird keeps growing). ENB stock's juicy dividend yield gives investors a significant headstart, and the company's dividend growth policy adds another advantage.

The Rule of 72 requires that Enbridge stock generate just 3.3% in capital gains for investors to double their money in just 7.2 years. Enbridge's new revenue and earnings growth frontiers lie in oil and LNG exports to Europe and the rest of the world. Its investments in export terminals provide critical infrastructure to Canada's energy exports. Canadian energy companies will be able to serve their European allies' energy supply needs as the continent struggles to move away from Russian oil and gas.

Share price growth is a function of earnings growth. According to *Koyfin* terminal data, the market consensus is for a compound annual growth rate (CAGR) in net income of 6.4% over the next five years. If ENB stock grows anywhere near its estimated earnings growth rate, then investors could easily harvest modest capital gains that exceed the required 3.3% per annum over the next few years.

Magna International stock

An investment in Magna International stock following its recent decline could potentially double your money over the next few years. The company is a trusted and key manufacturing partner to the global automotive industry. It serves almost every large Tier 1 vehicle manufacturer in the world, and business will likely remain intact given long-term contracts. So Magna stock's 3.2% dividend yield may linger for the next decade and keep growing.

To double your money in less than eight years, Magna stock price needs to grow at a GAGR of about 6.8%. The market consensus is for Magna to post an estimated 11.9% CAGR in net income over the next five years. Given share repurchases, Magna's earnings per share (EPS) growth could far exceed its net income growth rate over the next decade.

Investors will be excited that Magna is heavily investing in new, fast-growing segments of vehicle automation, advanced driving technologies, and electric vehicle systems. Propelled by these businesses, it can book more revenue and earnings per each car it manufactures in the future. Earnings growth will support capital gains.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ENB (Enbridge Inc.)

2. TSX:MG (Magna International Inc.)

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