2 Top Dividend Stocks for New Investors

Description

Choosing your first dividend stocks can be a stressful process. Many new investors have spent months or even years saving the money they are going to use to buy their first shares. They want to get better returns than bonds or GICs, but they don't want to lose a substantial part of that hard-earned money by betting on the wrong company.

While the market can be volatile, and even the best companies can hit a rough patch, there are a few names in the Canadian market that have time-tested results.

Here are the reasons why I think new dividend investors should consider **BCE Inc.** (TSX:BCE)(NYSE:BCE), and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI).

BCE

Canada's largest communications company has built itself a competitive fortress that is nearing the point of being pretty much impenetrable. Over the past few years BCE has secured a dominant position in every part of the communications value chain.

In fact, any Canadian that watches a TV program, sends a text to a friend, listens to the news, surfs the web, or buys a new smartphone is probably putting some money into the pockets of BCE's shareholders.

The company continues to add retail and media assets, while investing heavily in its world-class wireline and wireless infrastructure. BCE is even becoming more customer-friendly.

The stock pays a dividend of $2.60 per share that yields about 4.7%. The distribution is safe and investors should see steady growth in the payout for years to come.

Canadian National Railway

The odds of someone building a new railway network in Canada or the U.S. are extremely low. Among the handful of companies that own and operate rail lines, CN is the only one that offers its customers service to three coasts.

This puts CN in a class of its own from a competitive standpoint, but the company is also one of the best-run companies in the industry, and regularly wins the top spot as being the most efficient operator in North America.

Shares of CN have pulled back in recent months as the market digests the impact of the rout in the energy sector. Much of CN’s growth over the past few years has been linked to the transport of crude oil. That line of business will continue to be an important part of the mix for years to come as oil production continues to grow and demand for transport to foreign markets increases. Crude by rail is here to stay, it’s just not going to ramp up at the same breakneck pace.

CN operates in a number of different business segments, and this diversification provides investors with a reliable stream of revenue and income. Oil and coal shipments might be slowing down, but auto and lumber deliveries are still strong. Grain is also a solid line of business and demand for the transport of farm products will continue for decades. CN is also investing heavily in its inter-modal business by adding a network of hubs at strategic locations along its rail network.

The company increased its dividend by 25% earlier this year and plans to move its target payout ratio to 35%. This should mean continued growth in the distribution in the years to come.

For investors looking to buy a dividend-growth stock and simply put it in the drawer for 40 years, Canadian National Railway is about as good as it gets.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:BCE (BCE Inc.)
4. TSX:CNR (Canadian National Railway Company)

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