2 Dividend-Growth Stocks to Put on Your TFSA Watch List

Description

Investors are starting to line up investment opportunities for 2016 and many people are planning to put dividend-growth stocks into their TFSAs.

Holding dividend-growth stocks in a TFSA is a great way to build a substantial portfolio over time without having to worry about giving any of the gains to the taxman. The full value of the dividends can be reinvested into new shares and the capital gains are all tax free when it comes time to use the funds.

Here are the reasons why I think Canadian investors should consider **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Fortis Inc.** (TSX:FTS) for their TFSAs.

CN

CN is an earnings juggernaut, and the strong results continue to roll in despite the difficult conditions in the market.

CN reported Q3 2015 net income of $1 billion, up 18% from the same period in 2014. Operating income rose 16% to $1.48 billion.

The rout in the energy sector is putting a pinch on CN's crude-by-rail segment, and the company is also seeing a slowdown in demand for the shipment of frac sand and drilling equipment.

That situation is likely to continue into next year, but oil-by-rail shipments are not going to disappear.

Western Canadian producers still have to move their product to international buyers as well as refiners in the U.S. and Canada, and there still isn't enough pipeline capacity to carry all the oil.

With the rejection of Keystone XL and the difficulties being faced by Energy East, demand for crude by rail is going to remain strong.

The plunge in oil prices is putting pressure on the Canadian dollar, and that is helping CN in other ways.

The company generates significant revenue south of the border, and every dollar in U.S.-based earnings now converts into CAD$1.35. The weak loonie is also helping drive higher forestry and automotive shipments.

CN increased its quarterly dividend by 25% to $0.3125 per share in 2015, and investors should see another hike to the payout next year. The distribution currently yields 1.7%.

Fortis

Fortis operates electricity generation and natural gas distribution assets in Canada, the U.S., and the

Caribbean. The company continues to add new facilities through acquisitions and expansion, and those assets are providing a nice boost to cash flow and earnings.

Fortis gets nearly all of its revenue from regulated assets, which is attractive for investors because cash flow and profits are predictable.

The company recently increased its quarterly dividend by 10% to $0.375 per share, which offers a yield of 4%. Fortis has increased the payout every year for more than four decades.

CATEGORY

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2. Investing

TICKERS GLOBAL

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