

Millennials: Put These 3 Dividend Stocks in Your TFSA

Description

Young investors have a wealth-building opportunity that wasn't available to their parents. It's called the tax free savings account.

The TFSA allows savers to completely avoid taxes on dividend income and capital gains. This is a huge benefit for any Canadian investor, but young people really get a leg up because they can reinvest dividends into new stocks and use the power of compounding to build their wealth.

Over time, a small amount of money can grow to be a substantial nest egg.

How much?

Just check out the examples of **Fortis Inc.** ([TSX:FTS](#)), **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)), and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)).

Fortis

Fortis is a power generation and natural gas distribution company with assets located in the U.S., Canada, and the Caribbean.

The business gets about 96% of its revenue from regulated assets, which means the cash flow and earnings should be both predictable and reliable. This is great for dividend investors because they know they can count on the distributions.

The current quarterly payout of \$0.375 per share yields about 4%. The company has raised the dividend annually for more than 40 years.

A single \$10,000 investment in Fortis 15 years ago would now be worth about \$65,000 with the dividends reinvested.

Canadian National Railway

Canadian National Railway is one of those companies you can simply buy and forget about for decades.

As the backbone of the U.S. and Canadian economies, Canadian National Railway holds a leadership position in an industry with few competitors and massive barriers to entry.

The company is often cited as the most efficient railway in North America, and management does a great job of returning profits to shareholders in the form of dividends and share buybacks.

The company increased the dividend by 25% in 2015, and more hikes should be on the way.

A \$10,000 investment in Canadian National Railway 15 years ago would be worth about \$115,000 today if the dividends were reinvested.

Royal Bank

Royal Bank is a giant in the financial industry. The company has a long history of making investors wealthy, and that trend should continue, despite some short-term economic concerns and threats from FinTech companies.

Royal has survived every major financial crisis in the past 150 years, and the current troubles facing the Canadian market will also pass. As for the battle with digital banking threats, Royal Bank has the financial firepower to invest in new technology and strategic partnerships to ensure it stays relevant in the coming years.

The bank pays a quarterly dividend that yields 4.5%.

A \$10,000 investment in Royal Bank 20 years ago would now be worth about \$159,000 with the dividends reinvested.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)
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