2 High-Growth Dividend Stocks for Your TFSA

Description

A TFSA is a good place to invest quality, high-growth companies if you have many years to compound your investments. An investment of $10,000 compounded at 10% a year turns into $25,937 in a decade, $67,275 in two decades, and $174,494 in three decades!

Since dividends are more predictable and reliable than price appreciation in general, I'll focus on dividends. Companies that increase their dividends by 10% a year can double those dividends in about seven years. Quality companies such as **Brookfield Asset Management Inc.** (TSX:BAM.A)(NYSE:BAM) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) have been increasing their dividends at least 10% per year on average.

Their growing dividends help put a floor on their stock prices and help push share prices higher over time. Most importantly, these companies have track records of growing earnings or cash flows that support their dividends.

Brookfield Asset Management

In November Brookfield Asset Management had about $225 billion of global assets under management. These assets include world-class properties, infrastructures, and renewable energy facilities.

Over 80% of Brookfield's invested capital is in listed securities. Specifically, over 50% of invested capital is in **Brookfield Property Partners LP**, and the remainder is in **Brookfield Renewable Energy Partners LP, Brookfield Infrastructure Partners L.P.**, and other partnerships.

From 2005 to 2015 Brookfield Asset Management increased its dividend from US$0.18 per share to US$0.48 per share at a compound annual growth rate (CAGR) of 10.3% per year. Its payout ratio (based on its cash flows) is only about 23%. Additionally, Brookfield Asset Management has increased its dividend for four consecutive years.

Canadian National Railway

Canadian National is a top-notch transportation leader and the only transcontinental railway in North America. Its network spans Canada and Mid-America and connects the Atlantic, the Pacific, and the Gulf of Mexico.

From 2005 to 2015 Canadian National's earnings per share increased by almost 220% at a CAGR of 12.3%. Priced at $75.7, the company is trading in fair-value range and yields 2%, which is uncommonly high for the dividend-growth company.

Canadian National has increased its dividend for 20 consecutive years. In fact, it is on track for its 21st consecutive year of dividend growth and hiked its dividend by 20% last month. Since 2006 the railway has increased its dividend at a CAGR of 16.4%.

With a payout ratio of 32%, the railway has wiggle room to expand its dividend to its target payout ratio of 35%. Besides, as its earnings grow its payout ratio will decrease, so higher dividends should result.

Conclusion

With an S&P credit rating of A- and an excellent track record of execution, Brookfield Asset Management is a good investment for growth after pulling back about 15% from its 52-week high. Further, management and directors own about 20% of common shares, so their interests are aligned with shareholders' interests. At $40.60, Brookfield Asset Management yields 1.5% based on a currency exchange of US$1 for CAD$1.30.

Canadian National is trading at a reasonable valuation because it's expected to deliver single-digit earnings growth of 5-7% this year and next (compared with its double-digit growth in the past few years). However, history shows that it experiences slowdowns due to macro factors, so I believe now is a good time to ease in to the quality company.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:BN (Brookfield)
4. TSX:CNR (Canadian National Railway Company)

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