2 Top Dividend-Growth Stocks to Boost Your TFSA

Description

The tax-free savings account (TFSA) is a great vehicle to help investors use their hard-earned savings to build wealth and keep the gains out of the hands of the government.

Many people use the account to hold bonds and GICs, which is a good way to protect interest income, but those products don't pay much anymore, and that situation isn't likely to change anytime soon.

For those who want to use the TFSA to build a retirement portfolio, dividend-growth stocks might be the best way to go.

Why?

When dividends are used to buy new shares, investors can harvest the power of compounding. That can turn a modest investment into a sizable nest egg when the process is repeated over two or three decades. The trick is to find top dividend-growth stocks with a long histories of distribution increases that are supported by rising earnings.

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Here are the reasons why I think **Fortis Inc.** (TSX:FTS) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) are solid picks.

Fortis

Fortis is a natural gas distribution and electricity generation company with assets located in Canada, the United States, and the Caribbean.

The business doesn't sound very exciting, but the company's performance makes it a rock star in the dividend-growth world.

Fortis gets nearly all of its revenue from regulated assets, which means cash flow should be predictable and reliable. As the company adds new infrastructure, revenue rises, and that tends to be good for the dividend.

Fortis is expanding its presence in the United States through acquisitions that help diversify the company's economic and regulatory exposure. Some analysts are concerned the business is getting too big, too quickly, but management has a proven track record of successfully integrating new assets.

Fortis has increased its dividend every year for more than four decades. The current quarterly payout of $0.375 per share yields about 3.8%.

A single $10,000 investment in Fortis 20 years ago would now be worth $105,000 with the dividends reinvested.

CN

CN is one of those stocks you can simply buy and forget about for decades.

The company literally acts as the economic backbone of the Canadian and U.S. economies with a rail network that reaches three coasts. That provides it with a competitive advantage that is unmatched in the industry.

Headwinds in the commodity segments have reduced carloads over the past year, but CN is still delivering solid earnings, and investors continue to be rewarded through share buybacks and large dividend increases.

CN recently raised its quarterly payout by 20%. Over the past 20 years the company has raised the dividend by an average of 17% per year.

A significant part of CN's profit is generated south of the border, so investors get instant exposure to both the U.S. economy and the strong American dollar.

Long-term shareholders have done well holding CN's stock. A $10,000 investment in the company in 1996 would now be worth $245,000 with the dividends reinvested.

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TICKERS GLOBAL

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

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