2 Dividend Stocks for Any Investor's TFSA

Description

Retirees and young investors alike can benefit from holding dividend stocks in a TFSA.

Let's take a look at why **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.

Income investors, such as retirees, like Fortis because it gets the majority of its revenue from regulated assets. This means cash flow should be predictable and reliable, which is a good thing for people who rely on dividends to supplement their pensions.

Fortis has grown significantly in recent years with the US$4.5 billion acquisition of Arizona-based UNS Energy in 2014 and last year's completion of a major expansion at the Waneta hydroelectric facility in British Columbia. These two assets drove 2015 net income to a record high of $2.11 per share, up 20% from the previous year.

The company is now spending US$11.3 billion to acquire **ITC Holdings Corp.**, the largest independent pure-play transmission company in the United States.

Fortis has increased its dividend every year for more than four decades. The current quarterly payout offers a yield of 3.7%.

CN

The North American rail business is facing some economic headwinds right now, but CN continues to deliver solid results.

The company generated $792 million in net income in Q1 2016, up 13% from the same period last year. Free cash flow came in at a healthy $584 million compared to $521 million in in Q1 2015.

Commodity markets have been under pressure, and that is having an impact on coal, oil, and potash shipments. But CN serves a wide variety of segments, and pain in one group often results in better days for other sectors.

For example, the oil rout has resulted in a sharp decline in the Canadian dollar against the greenback, and that is helping the Canadian automotive and forestry companies. The large difference in the exchange rate also means U.S.-based earnings translate into healthy profits when converted to Canadian dollars. CN generates a significant amount of profits south of the border.

Management raised the dividend by 20% earlier this year, and while the 1.9% yield doesn't initially look attractive, investors should be impressed with the 17% annualized growth rate in the dividend over the past two decades.

CN is a great pick for young investors who want to buy a stock and sit on it for two or three decades. A $10,000 investment in CN just 15 years ago would be worth $111,000 today with the dividends reinvested.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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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