Investors: This Top Dividend-Growth Pick Can Help You Build TFSA Wealth

Description

More than ever, Canadians are being forced to take control of their retirement planning.

This wasn't always the case. In fact, not that long ago a college or university graduate could count on getting a full-time job with a decent pension plan.

Today, many companies are switching to contract work rather than hiring full-time staff, and the coveted "permanent" jobs often come with scaled-back or non-existent pension benefits.

Fortunately, Canadians have a few options to help them set aside some serious cash for the golden years.

One strategy is to hold dividend-growth stocks in a TFSA and reinvest the dividends in new shares. This sets off a compounding process that can turn a relatively small initial investment into a substantial sum over time.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) to see why it is a solid TFSA pick.

CN is one of those stocks you can simply buy and sit on for decades.

The company is widely viewed as the best-run railway in North America and enjoys a competitive advantage via its unique rail network. In fact, CN is the only rail operator that can offer customers access to three coasts, and the odds of another company building competing lines along the same routes are pretty much nil.

As a result, the company is focused on providing the best service possible and is investing heavily in new intermodal hubs to compete more aggressively with the long-haul truckers.

The rail industry is facing some economic headwinds, but the diversified nature of CN's revenue stream means earnings continue to grow at a healthy clip.

CN reported Q1 2016 net income of $792 million, up 13% over the same period last year. Weakness in the fertilizer and energy segments was offset by gains in forestry and automotive shipments. CN also generates a significant amount of its profits south of the border, and that is helping boost results when converted to Canadian dollars.

CN raised the dividend by 20% earlier this year, and investors have enjoyed an average 17% annual gain in the distribution for the past 20 years.

The stock has pulled back in recent weeks, so new buyers finally have a chance to pick up CN at a reasonable price. It could go lower in the near term, but investors with a long-term strategy should do very well holding CN in their TFSAs.

What are the historic returns?

A $10,000 investment in CN just 15 years ago would be worth $102,000 today with the dividends reinvested.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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