RRSP Investors: 2 Dividend-Growth Stocks You Can Hold for Decades

Description

Canadians are turning to dividend stocks to help them save for retirement.

Let's take a look at the reasons why **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) are solid picks.

CN

The railway industry is working its way through a slow point in the economic cycle, but CN continues to deliver strong results.

The company generated Q2 2016 net income of $858 million, or $1.10 per share, pretty much flat compared with the same period last year. On the surface, the results don't inspire one to rush out and buy the stock, but it's CN's ability to perform well in tough times that makes this name attractive.

The steady results during challenging times can be attributed to improved efficiency and a diversified revenue stream.

The operating ratio for Q2 fell to 54.5%, down 1.9 points compared with last year. A lower number is desirable because it indicates the operating expenses as a percentage of revenue.

CN is based in Canada, but it generates a significant amount of its earnings south of the border, and that helps support the bottom line when the American dollar is very strong. At the moment, each U.S. dollar in profit converts to CAD$1.30. Low oil prices are a big reason for the spread, so the currency advantage will narrow when oil recovers, but revenue should also rise in the company's energy segments as a result.

Dividend-growth investors love this company because it generates a ton of free cash flow and is generous about sharing the profits with shareholders. Management hiked the dividend by 20% earlier this year, and the company has raised the payout by about 17% per year over the past two decades. Given the stability of the business, investors should see the trend continue.

If you want a stock you can simply buy and forget about for 30 years, CN is about as good as it gets.

Enbridge

Enbridge has been under a cloud of bad news over the past 12 months, but investors should look beyond the short-term speed bumps when evaluating the stock.

What's going on?

Oil spills, resistance to the Northern Gateway pipeline, and ongoing challenges in the oil market hit Enbridge's stock late last year and through the early part of 2016.

Enbridge might see near-term demand slow down for new energy infrastructure, but the company has a healthy backlog of $26 billion in commercially secured projects to keep it busy. As the new assets are completed and go into service, Enbridge should generate enough additional revenue to support dividend hikes of at least 8% in the coming years.

If the oil slump lasts longer than expected, Enbridge is large enough that it can drive additional growth through acquisitions.

The company just raised the quarterly distribution to $0.53 per share. Investors who buy today can pick up a yield of 3.9%.

Is one a better RRSP bet?

Both stocks deserve to be in any RRSP portfolio. Earlier in the year I would have given the nod to Enbridge, but the stock has rallied in recent months. As such, it's pretty much a coin toss between the two companies today.

CATEGORY

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1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
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