



## Canadian Millennials: 2 Dividend-Growth Stocks to Help You Retire Wealthy

### Description

Young Canadians are facing unprecedented financial challenges.

#### What's going on?

In the old days, a college or university graduate could reasonably expect to find a well-paid full-time job with a retirement plan right out of school. Today, the marketplace has changed, and most grads consider themselves fortunate to score six-month or one-year contracts, let alone permanent jobs with benefits.

When a company decides to take you on full time, the odds of getting a defined-benefit pension are pretty slim. In fact, any pension plan at all is becoming rare.

To top things off, today's young people are trying to find a home in an overvalued housing market, so they can't even rely on the house to generate wealth for retirement.

As such, millennials are forced to take retirement planning into their own hands, and one way to save for the future is to buy dividend-growth stocks inside a TFSA.

#### What's the advantage of the TFSA?

The TFSA allows investors to reinvest the full value of dividend payments in new shares without having to set some aside for the taxman. This sets off a compounding process that can build a modest initial investment into a mountain of money over the course of a few decades.

When the time comes to sell the stocks and use the invested funds for retirement, all of the capital gains are also tax free.

#### Which stocks should you buy?

The best companies are market leaders with strong track records of dividend growth.

Let's take a look at **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **Canadian National Railway Company**

([TSX:CNR](#))([NYSE:CNI](#)) to see why they might be attractive picks.

## Enbridge

Enbridge owns and operates energy infrastructure in Canada and the United States with pipeline networks carrying oil, gas, and gas liquids from producers to their end users.

The business is essentially one big tollbooth, collecting fees from customers for using the system.

Enbridge just signed an agreement to purchase **Spectra Energy** for \$37 billion. The deal creates North America's largest energy infrastructure company with \$26 billion in commercially secured near-term growth projects.

As the new assets go into service, Enbridge plans to hike increase its dividend by at least 10% per year through 2024.

Long-term Enbridge shareholders are very happy with their returns. A \$10,000 investment in the stock 15 years ago would be worth \$99,000 today with the dividends reinvested.

## CN

CN is the only North American railway that can provide its customers with access to three coasts. This is an important competitive advantage, and one that is unlikely to change.

Why?

The odds of someone building competing lines along the same routes are pretty much nil, and efforts to merge railways tend to run into significant regulatory roadblocks.

CN still has to compete with trucking companies and other rail lines on some routes, so management works hard to ensure the business runs as efficiently as possible. Those efforts are bearing fruit, as CN's operating ratio, which measures the company's expenses as a percentage of revenue, is often the best in the sector.

The company raised the dividend 20% this year and 25% in 2015. Over the past two decades, investors have enjoyed annual dividend growth of about 17%.

The business generates significant free cash flow, and management is committed to returning more of it to investors in the coming years.

What about returns?

A \$10,000 investment in CN just 15 years ago would be worth \$123,000 today with the dividends reinvested.

**Is one a better TFSA pick?**

Both stocks are market leaders with wide moats and strong dividend-growth outlooks. Earlier in the year I would have given Enbridge the edge, but the stock has rallied significantly, so I would call it a coin toss between the two names today.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:ENB (Enbridge Inc.)

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