RRSP Investors: 2 Dividend-Growth Stocks to Buy Today and Hold for 30 Years

Description

Canadian savers are doing their best to put cash aside to fund a comfortable retirement.

Let’s take a look at **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) to see why they are attractive picks.

TransCanada

Pipeline infrastructure companies are looking for ways to grow amid a slowdown in the energy sector and significant pushback from the public on mega projects.

One option is through acquisitions, and that’s why TransCanada recently spent US$13 billion to acquire Columbia Pipeline Group.

The deal adds significant natural gas infrastructure in the United States, including strategic assets in the coveted Utica and Marcellus shale plays, as well as a major pipeline network running form Appalachia to the Gulf Coast.

Columbia also comes with a solid portfolio of commercially secured projects, which will bring TransCanada’s near-term development portfolio to $25 billion.

As these assets are completed, TransCanada should see cash flow increase enough to support annual dividend growth of at least 8% through 2020.

Beyond that time frame, the company still has some large projects in the works that could eventually get the green light.

For example, the Keystone XL pipeline might be back on the table once Trump takes up residence in the White House, and the Energy East project in Canada still has a chance of being built now that it appears the Liberal government is in favour of helping Alberta get its oil to the coast.

If the mega projects remain stuck in the mud, TransCanada is large enough to grow through additional acquisitions.

The dividend currently yields 3.9%.

CN

CN is the only railway in North America that can provide its customers with access to three coasts, and that competitive advantage is likely to remain in place.

Why?

Merger attempts in the rail industry normally run into significant regulatory roadblocks, and the odds of another company building new lines along the same routes are pretty much nil.

CN knows it still has to compete with other forms of transportation, and there is overlap on some stretches of its network. As such, management works hard at making sure the company operates as efficiently as possible.

In fact, CN is widely viewed as the best-run business in the sector.

Dividend investors often look at the 1.7% yield and move on, but that's a mistake. CN has one of the best dividend-growth rates in Canada and continues to reward investors with generous distribution hikes and aggressive share buybacks.

If you are looking for a stock you can truly buy and forget about for decades, CN deserves to be near the top of your list.

Is one more attractive?

Both stocks are solid buy-and-hold picks for an RRSP account.

Earlier in the year, I would have picked CN first, but the stock has rallied to the point where it is probably a coin toss between the two names today.

CATEGORY

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2. NYSE:TRP (Tc Energy)
3. TSX:CNR (Canadian National Railway Company)
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