



RRSP Investors: 2 Dividend-Growth Stocks to Buy Now and Hold for Decades

Description

Canadian investors are searching for high-quality dividend stocks to top up their 2016 RRSP contributions.

Let's take a look at **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) and **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) to see why they might be interesting picks.

Fortis

Fortis owns natural gas distribution, electricity generation, and power transmission assets in Canada, the United States, and the Caribbean.

The company has grown over the years through a mix of organic growth and strategic acquisitions.

Recent examples include the 2014 purchase of Arizona-based UNS Energy and the 2015 expansion at the company's Waneta hydroelectric facility in British Columbia.

Last year, Fortis decided to swing for the fence and spent US\$11.3 billion to buy ITC Holdings Corp., a Michigan-based transmission company.

As a result of these deals, Fortis expects to see cash flow grow enough to support annual dividend increases of at least 6% through 2021.

The company has raised its payout every year for more than four decades, so investors should feel confident that Fortis will deliver on the promise.

The current distribution yields 3.9%.

A \$10,000 investment in Fortis 20 years ago would be worth \$180,000 today with the dividends reinvested.

CN

CN is the only railway that can offer its customers service to three coasts, and it regularly reports the best operating ratio in the industry.

The wide moat is likely to remain in place as merger attempts in the industry tend to hit regulatory roadblocks, and new rail lines are unlikely to be built along existing routes. Due to the ongoing efficiency gains, CN is widely viewed as the best-run railway in North America.

The company consistently generates carloads of free cash flow regardless of the ups and downs in the economic cycle.

Dividend investors often look at the low yield and skip the stock, but that is a mistake. CN has a compound annual dividend-growth rate of about 17% over the past two decades and operates an aggressive share-repurchase program.

If you truly want a stock you can buy and forget about for 20-30 years, CN should be at the top of your list.

What about returns?

A \$10,000 investment in CN just 20 years ago would be worth \$384,000 today with the dividends reinvested.

Is one a better RRSP pick?

Both stocks are solid buy-and-hold dividend-growth names. Six months ago, I would have picked CN as the first choice, but the rail company has rallied so much that I think it's probably a draw right now between the two companies.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24

Date Created

2017/01/13

Author

aswalker

default watermark

default watermark