2 Dividend-Growth Stocks to Start Your Self-Directed RRSP

Description

Canadians are turning to dividend stocks to help them boost their retirement savings.

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

CN

CN is one of those business you can simply buy and forget about for decades.

Why?

The company serves as the backbone of the economy, delivering everything from coal to cars across Canada and down through the United States.

As the only North American rail operator to own lines that connect to three coasts, CN has a significant advantage when offering service to clients. That competitive edge is unlikely to disappear, as rail mergers tend to hit regulatory roadblocks, and the odds of competing tracks being built along the same lines are pretty slim.

CN still has to compete with trucking companies and other railways along some routes, so management works hard to ensure the business runs efficiently.

In fact, CN is widely viewed as the best-run business in the sector and regularly reports an industry-leading operating ratio.

Dividend investors shouldn't be deterred by the 1.7% yield. CN is one of the country's top dividend stocks with a compound annual dividend-growth rate of more than 16% over the past decade.

Long-term investors have done well with this stock. A $10,000 investment in CN just 20 years ago would be worth about $380,000 today with the dividends reinvested.

Enbridge

Enbridge is in the process of buying **Spectra Energy Corp.** (NYSE:SE) for $37 billion in a deal that will create North America's largest energy infrastructure business.

Once the merger concludes, Enbridge will have $26 billion in commercially secured growth projects set for completion through 2019 as well as $48 billion in additional projects under development.

As a result, Enbridge expects to see cash flow increase enough to support annual dividend growth of at least 10% through 2024.

Enbridge is primarily known for its pipeline operations, but the company also has significant interests in renewable energy assets. The latest addition to the portfolio is a 50% interest in an offshore wind project located in the North Sea off the coast of Germany.

Enbridge is investing $1.7 billion in the project, which should be in service in 2019.

The company recently raised the dividend by 10% and is expected to boost it again once the Spectra deal closes.

The current distribution provides a yield of 4.2%.

What about returns?

A $10,000 investment in Enbridge 20 years ago would be worth about $300,000 today with the dividends reinvested.

Is one more attractive?

Both companies are industry leaders with strong businesses that should perform well for decades.

Six months ago, I would have made CN the first pick, but the stock has rallied to the point where I would call it a draw between the two names today.

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1. Dividend Stocks
2. Investing

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