TFSA Investors: 2 Dividend Stocks to Own for a Decade

Description

Canadian investors are using their Tax-Free Savings Account (TFSA) to hold dividend-growth stocks as part of their savings plan.

The strategy makes sense, especially when the distributions are invested in new shares.

Why?

This sets off a powerful compounding process that can turn a modest initial investment into a significant cash stash over time.

The best part?

All of the earnings are protected from the taxman, including any capital gains that build up while you own the stocks.

Which companies should be in the portfolio?

The best names tend to be market leaders with strong track records of dividend growth.

Let's take a look at **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Telus Corporation** (TSX:T)(NYSE:TU) to see why they might be interesting picks.

TransCanada

TransCanada bought Columbia Pipeline Group last year in a US$13 billion deal that added important assets in the growing Marcellus and Utica shale plays as well as strategic gas pipeline infrastructure, including a network that runs from Appalachia to the Gulf Coast.

The deal also boosted the near-term development portfolio, which now stands at $24 billion.

As the new assets are completed and go into service TransCanada expects to see cash flow grow enough to support dividend increases of at least 8% per year through 2020.

The company's mega projects are still up in the air with Keystone XL being the one getting most of the attention. A decision on Keystone could come before the end of 2017.

TransCanada currently provides a dividend yield of 3.9%.

Telus

Telus is one of Canada's dividend darlings, with a strong track record of providing generous and consistent increases every year.

Under the current plan, the company expects to raise the payout by 7-10% per year through 2019. This program began in 2011, and has been extended along the way.

Telus continues to add new mobile, internet, and Telus TV customers at a consistent rate, and the company's focus on providing superior customer service appears to be paying off.

Telus often has the lowest churn rate in the sector and has enjoyed blended average revenue per user (ARPU) growth for 26 straight quarters on a year-over-year basis.

Canadians consume more data every year and still have relatively few options when it comes to choosing their service providers, so Telus investors should see the solid results continue.

The dividend currently provides a yield of 4.3%.

Is one a better bet?

Both stocks should be solid buy-and-hold picks for a TFSA dividend portfolio.

TransCanada provides attractive exposure to the U.S., but it tends to be more volatile. Telus provides a higher yield and is a more conservative bet, but it could trail TransCanada on dividend growth over the medium term.

The best move might be to split a new investment between the two names.

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