Young Investors: 2 Canadian Dividend Stocks to Help You Save for Retirement

Description

Canadian millennials are searching for ways to set aside enough cash for a comfortable retirement.

One strategy involves buying dividend-growth stocks inside a TFSA or RRSP and investing the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial sum into a substantial nest egg over time.

Which stocks should you own?

The best companies tend to have reliable cash flow and strong track records of dividend growth.

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, electric transmission, and power generation assets in Canada, the United States, and the Caribbean.

The company has grown over the years through strategic investments, and that trend continues.

Last year, Fortis spent US$11.3 billion to buy Michigan-based ITC Holdings, which was the largest independent transmission company in the United States. That deal came on the heels of the US$4.5 billion purchase of Arizona-based UNS Energy in 2014.

The new assets are contributing as expected, and Fortis plans to raise its dividend by at least 6% per year through 2021.

The company has increased the payout every year for more than four decades, so investors should be comfortable with the guidance.

The stock currently yields 3.5%.

A $10,000 investment in Fortis 20 years ago would be worth about $110,000 today with the dividends reinvested.

CN

CN is literally the backbone of the U.S. and Canadian economies with a rail network that touches three coasts.

The company has a balanced revenue stream supported by business lines serving a number of key market sectors. When one segment has a rough quarter, the other groups tend to pick up the slack.

CN also gets a large part of its earnings from the United States, which provides a nice hedge against any troubles in the Canadian market.

This rail operator generates significant free cash flow, and management does a good job of sharing the profits with investors. CN’s annualized dividend-growth rate is about 16% over the past 20 years.

What about returns?

A $10,000 investment in CN two decades ago would be worth about $240,000 today with the dividends reinvested.

The bottom line

There is no guarantee Fortis and CN will deliver the same results over the next 20 years, but the strategy of owning quality dividend-growth stocks and investing the distributions in new shares is a proven one.

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. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks

2. Investing

Date
2025/08/19
Date Created
2017/08/16
Author
aswalker