Retirement Savers: 2 Reliable Dividend-Growth Stocks to Own for 30 Years

Description

Canadian investors are searching for top-quality stocks to put inside their TFSA or RRSP portfolios.

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

CN

CN is the only North American rail operator that owns tracks connecting three coasts, which is an important competitive advantage that is unlikely to change for decades.

Why?

Railway merger attempts tend to run into significant regulatory roadblocks, and the odds of new tracks being built alongside existing routes are pretty slim.

CN still has to compete with the trucking industry and other rail operators on some routes, so the employees work hard to ensure the business is run efficiently. They do a good job, as CN regularly reports an industry-leading operating ratio and is widely viewed as the best-run business in the sector.

The company has a balanced revenue stream that enables it to ride out difficult times in various parts of the economy. In fact, when one business group has a tough quarter, the others often pick up the slack.

CN generates significant free cash flow and does a good job of sharing the profits with investors.

The annualized dividend-growth rate over the past 20 years is about 16%.

What about returns?

A $10,000 investment in CN two decades ago would be worth about $235,000 today with the dividends reinvested.

Fortis

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

The company closed two major acquisitions in recent years, including the 2016 purchase of Michigan-based ITC Holdings for US$11.3 billion.

Investors initially thought Fortis might be taking on more than it can handle, but the integration of ITC went well, and the asset is performing as expected.

Management plans to raise the dividend by at least 6% per year through 2021. The company has increased the payout every year for more than four decades, so shareholders should feel comfortable with the guidance.

Long-term investors have done well with this stock, too. A $10,000 investment in Fortis 20 years ago would be worth about $110,000 today with the dividends reinvested.

Is one more attractive?

Both companies should be stable buy-and-hold picks for a TFSA or RRSP portfolio. At this point, I would probably split a new investment between the two names.

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Author
aswalker