TFSA Investors: 2 Dividend Stocks You Don't Have to Babysit

Description

Canadian investors are searching for reliable companies to hold inside their TFSA portfolios.

Many people don't have time to watch the daily moves in the market, so there is an advantage to owning quality companies you can simply buy and forget about for years.

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

CN

CN is the only rail operator in North America that owns tracks connecting three coasts.

The advantage should continue for some time, as the odds of new rail lines being built along the same routes are pretty slim, and attempts to merge railways tend to run into significant regulatory roadblocks.

CN still competes with trucking companies and other rail operators on some routes, so it works hard to be as efficient as possible. The company often reports an industry-leading operating ratio and is widely viewed as the top pick in the sector.

Investors have enjoyed a compound annual dividend-growth rate of about 16% over the past 20 years. CN generates carloads of free cash flow, so it can afford to be generous when it comes to sharing the profits with shareholders.

The company gets a significant part of its earnings from the U.S. operation, which provides a nice hedge against a potential downturn in the Canadian economy.

If you want a name to buy and sit on for 30 years, CN is a solid choice.

BCE

BCE closed its acquisition of Manitoba Telecom Services earlier this year in a deal that bumped the communications giant into top spot in the Manitoba market, and provided BCE with a solid base to expand its presence in western Canada.

The company is best known for its wireline and wireless services, but BCE also owns a large media division that includes sports teams, a television network, specialty channels, and radio stations.

In addition, BCE owns retail outlets and an advertising business.

When you combine the media assets with the world-class phone, TV, and internet network infrastructure, you get a company that has the capability of connecting with most Canadians on a daily basis.

That's a powerful business.

BCE continues to grow at a slow and steady rate, and the large dividend is supported by substantial free cash flow. At the time of writing, the stock offers a yield of 4.9%.

Is one more attractive?

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

If you only choose one, I would probably make the telecom giant the first choice today.

Why?

BCE has pulled back in recent months amid concerns that higher interest rates will hit the stock. Rising rates could motivate some investors to move to fixed-income alternatives, but the market reaction might be a bit overdone.

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