TFSA Investors: 2 Dividend Stocks to Hold Forever

Description

Holding dividend stocks in your Tax-Free Saving Account (TFSA) is a sure way to multiply your savings.

As you keep beefing up your TFSA year after year with your savings, dividend stocks grow your portfolio and insulate it from the impact of inflation.

All you have to do is to invest in reliable names and then re-invest your dividends back into the TFSA by buying more shares of dividend stocks. You'll see how quickly your savings swell as years tick by.

A lot of successful investors pursue this strategy with patience and without being influenced by the daily market noise.

Let's discuss how two top dividend stocks, **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI), can help put you on a path to build your best savings portfolio.

Royal Bank of Canada

When it comes to dividend investing in Canada, you can't ignore the banks. They are on top of the list of companies that reward their investors consistently by paying dividends.

For investors who are just starting to build their portfolios, buying a couple of banking stocks is a good start. They'll provide stability and growth to your income.

Among the largest Canadian lenders, Royal Bank of Canada is the best dividend stock for two reasons.

First, the bank has an established presence in almost all areas of traditional banking: retail, wealth management, and capital markets. Second, it's very solid global operations with 40% of its revenues coming from overseas.

RBC also has a long history of paying dividends. Over the past decade, it's delivered an 8% CAGR in the dividend. Its current yield of 3.93% offers an attractive entry point after a recent pullback in the price of stock, which is currently trading at $93.17.

Canadian National Railway Company

CNR stock is one of the best dividend-growth stocks among the Canadian companies.

CNR pays $0.4125 quarterly dividend, which is 10% higher when compared to the same period last year. Over the past five years, CNR's annual dividend distribution has doubled to $1.5 a share — a great incentive for its investors, who also benefit from explosive growth in CNR's share value.

CNR stock was able to provide this excellent growth due to its unique business model. The company runs a 100-year-old railway business and has a strong leadership position in the transportation sector.

The best companies for long-term income investors are those that operate in duopolies, because they command pricing power after creating a strong economic moat that stops competition from challenging their dominance. The Canadian rail industry is a quintessential duopoly, dominated by CNR and **Canadian Pacific Railway Limited**.

CNR is also greatly benefiting from a robust economic growth in both the U.S. and Canada, which is increasing the demand for merchandise shipment.

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