Conservative TFSA Investors: 2 Dividend-Growth Stocks to Own for Decades

Description

Canadians are searching for top-quality dividend-growth stocks to hold in their Tax-Free Savings Accounts (TFSAs).

The strategy makes sense, especially for investors who are looking for a way to build a retirement portfolio to complement other pension income.

Why?

Any distributions paid inside the TFSA are tax-free and can be reinvested in new shares to tap the power of compounding. When the time comes to cash out and enjoy the funds, all the capital gains are yours to keep.

Which stocks should you buy?

The best companies tend to be industry leaders in sectors that have huge barriers to entry.

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

BCE

BCE closed its purchase of Manitoba Telecom Services earlier this year in a deal that launched the communications giant into top spot in Manitoba and set BCE up with a solid base in central Canada to expand its presence in the western provinces.

BCE is primarily known for its mobile, TV, and internet services, but the company also owns a media division that includes sports teams, a television network, specialty channels, radio stations, and an advertising business.

When the media assets are combined with the world-class wireline and wireless network infrastructure, you get a powerful business that has the ability to interact with most Canadians on a daily basis.

BCE generates adequate free cash flow to cover its big dividend. At the time of writing, investors can pick up a yield of 4.8%.

CN

CN is the only North American railway that owns tracks connecting three coasts.

The company literally operates as the backbone of the Canadian and U.S. economies, carrying everything people and companies need, including oil, cars, lumber, and grains.

Management does a good job of reducing costs and making the company more efficient. In fact, CN regularly reports an industry-leading operating ratio and is widely viewed as the best-run business in the sector.

The railway is very profitable and shares the spoils with investors through large dividend increases and share buybacks.

If you want a stock to simply buy and forget about for 25 years, CN is about as good as they come.

Is one more attractive?

Both stocks should continue to be reliable picks for a TFSA retirement portfolio. At this point, I would probably split a new investment between the two names.

BCE provides above-average yield, while CN offers important exposure to the United States.

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