Dividend-Growth Investors: 2 Top Canadian Stocks for a Buy-and-Hold TFSA Fund

Description

Canadians are searching for reliable stocks to hold inside their Tax-Free Savings Account (TFSA) retirement portfolios.

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The strategy makes sense, especially when distributions are used to purchase new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice pension fund over time.

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 operates rail lines that touch three coasts, crossing Canada and cutting right through the heart of the United States.

The company generated solid 2017 earnings supported by 8% year-over-year revenue growth. A positive outlook for the Canadian and U.S. economies suggests the good times should continue.

Management works hard to make the railway as efficient as possible, and CN regularly reports an industry-leading operating ratio. The company is investing in 60 new locomotives and continues to upgrade the rail network.

CN generates significant free cash flow and just increased the dividend by 10% for 2018. Some investors skip CN when they see that the yield is lower than other top names, but that might be a mistake, as the company's dividend-growth track record is one of the best in Canada.

A $10,000 investment in CN just two decades ago would be worth more than $200,000 today with the dividends reinvested.

The stock has pulled back a bit in 2018, giving investors an opportunity to pick up the shares at a reasonable price.

Fortis

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

Most of the investment in recent years has occurred in the U.S., including the 2016 purchase of ITC Holdings for US$11.3 billion. The new assets are performing well, and Fortis plans to raise the dividend by at least 6% per year through 2022.

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

At the time of writing, the dividend provides a yield of 3.9%.

A $10,000 investment in Fortis 20 years ago would be worth more than $80,000 today with the dividends reinvested.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for a dividend-focused TFSA retirement portfolio. I would probably split a new investment between the two companies.

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If you have some extra cash on the sidelines, there are additional opportunities in the market that might be worth considering today.

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2. NYSE:FTS (Fortis Inc.)
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