TFSA Income Investors: 2 Canadian Giants Just Raised Their Dividends 10-12.5%

Description

Retirees and other Canadian income investors are taking advantage of the TFSA to boost the take-home pay they get from their savings.

All distributions paid inside the TFSA are yours to keep. In addition, any capital gains generated inside the TFSA when you decide to sell also go straight into your pocket.

With the recent pullback in the stock market, some of Canada's top companies are starting to trade at attractive prices. That means divided yields are on the rise, and there is additional potential for some upside in the stocks down the road.

Occasionally these downturns occur when a company's operations are actually rolling along quite nicely, as is the case with **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI).

Suncor

Suncor reported record Q4 2017 funds from operations of $3 billion, supported by strong performances across the business lines.

Net earnings came in at $0.84 per share, compared to $0.32 per share in the same period in 2016, which was driven by higher oil prices and lower operating costs in the oil sands sector.

Suncor is widely known for its oil sands businesses, but the company also owns refineries and more than 1,500 Petro-Canada service stations. These downstream assets provide a nice hedge against tough times in the oil market and are a big reason why Suncor held up so well through the downturn.

The company just announced a 12.5% increase to the dividend and plans to buy back up to $2 billion in stock.

That's great news for income investors.

The stock is down from $48 a month ago to about $42 per share. With the new dividend hike, investors can pick up a yield of 3.4%.

Canadian National Railway Company

CN also reported solid Q4 and full-year 2017 numbers. Adjusted diluted earnings for 2017 came in at $4.99 per share, up from $.59 in 2016.

The company is effectively the backbone of the Canadian and U.S. economies with rail lines that touch three coasts. The U.S. operations provide a significant part of CN's earnings and help balance out any disruptions in the Canadian business segments.

Management continues to invest in the network and has ordered 60 new locomotives. The company's operating ratio is one of the best in the industry, which is expected to continue.

CN generates significant free cash flow, with a long history of sharing the profits with investors. Free cash flow was nearly $2.8 billion in 2017, up from $2.5 billion the previous year.

The company just raised the dividend by 10% for 2018. The current payout provides a yield of about 2%.

The stock is down to its lowest level in nearly a year, giving investors an opportunity to pick up the railway at a reasonable price.

The bottom line

Both stocks continue to boost their dividends at rates that outpace most companies in the Canadian market, and that trend should continue.

If you have some cash on the sidelines looking for a home in top dividend-growth stocks, Suncor and CN should be on your radar today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/26
Date Created
2018/02/14
Author

aswalker