



New Investors: A Top Dividend Growth Stock to Start Your RRSP Today

Description

Young Canadians are often encouraged to begin saving for [retirement](#) as soon as they get out of school.

One strategy for setting funds aside for the golden years involves using the RRSP account to hold top quality Canadian dividend stocks. When the distributions are invested in new shares, investors can benefit from the power of compounding.

Over time, a modest initial investment can grow to be a significant pool of savings.

Which stocks should you own?

The best companies tend to be industry leaders with strong track records of rising earnings and dividend hikes. Let's take a look at **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) to see why it might be an interesting pick.

Wide moat

CN is the only North American railway company that has lines connecting three coasts. This is an important advantage that probably won't change very soon.

Why?

The odds of new tracks being built along the same routes are pretty slim, and attempts to merge rail companies tend to hit regulatory roadblocks.

Efficient operations

CN still has to compete with trucking companies and other railways on some routes, so management works hard to ensure the business is running as efficiently as possible. The company is investing in network improvements and recently purchased 60 new locomotives.

CN often reports an industry-leading operating ratio and is widely considered the best-run company in

the sector.

Diversified business units

CN is effectively the backbone of the U.S. and Canadian economies. The company transports everything from coal to cars, crude oil, grain, lumber and consumer goods.

When one division has a rough quarter, the other segments tend to pick up the slack. In addition, the U.S. operations generate a significant portion of the company's revenue and provide a nice hedge against tough times in Canada.

Dividend growth

CN is a free cash flow machine and does a good job of sharing the profits with investors. The dividend recently increased by 10% for 2018. Over the past 20 years, the company has boasted one of the best [dividend-growth](#) track records in the Canadian market.

Solid returns

Long-term investors have done very well with this stock. A \$10,000 investment in CN two decades ago would be worth close to \$180,000 today with the dividends reinvested.

The bottom line

There is no guarantee that CN will deliver the same results over the next 20 years, but the strategy of owning top-quality dividend stocks and investing the distributions in new shares is a proven one.

CATEGORY

1. Dividend Stocks
2. Investing
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