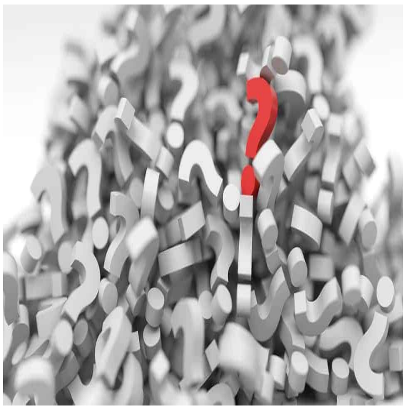

Should Canadian National Railway Company or Suncor Energy Inc. Be in Your RRSP?

Description

Canadian savers are searching for ways to set aside enough cash to fund a comfortable retirement.

One popular strategy involves owning dividend-growth stocks inside RRSP accounts and investing the distributions in new shares. This sets off a powerful compounding process that could turn a modest initial investment into a nice nest egg over time.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to see if one is more attractive today.

CN

CN is the only rail company in North America with tracks connecting three coasts. This is an important advantage that is unlikely to change anytime soon.

Why?

Attempts to merge railways tend to run into regulatory roadblocks, and the odds of new lines being built along the same routes are pretty slim.

CN still works hard to run a tight ship, and the company often reports an industry-leading operating ratio. The recent purchase of 60 new locomotives suggests management is serious about ensuring the company operates as efficiently as possible.

CN generates significant free cash flow and does a good job of sharing the profits with investors. The company just raised the dividend for 2018 by 10%.

Long-term shareholders have enjoyed some nice gains. A $10,000 investment in CN two decades ago would be worth more than $180,000 today with the dividends reinvested.

Suncor

Suncor took advantage of the oil rout to add strategic assets at attractive prices, including the takeover of Canadian Oil Sands, which gave Suncor a majority position in Syncrude.

Organic growth has also continued throughout the downturn, and two major projects recently went online, just as oil prices appear to be in recovery mode.

The Fort Hills oil sands facility and the Hebron offshore projects should provide a nice boost to Suncor's revenue and cash flow in the coming years.

The company continues to drive costs down at the oil sands operations, and that trend is expected to continue.

Suncor also owns refineries and more than 1,500 Petro-Canada retail locations. These downstream assets provide a nice hedge against trouble in the oil market and are a big reason the stock held up so well through the crash.

Management just raised the dividend by 12.5%. The new payout provides a yield of 3.3%.

A $10,000 investment in Suncor 20 years ago would be worth about 90,000 today with the dividends reinvested.

Is one more attractive?

Both companies are leaders in their respective industries and should continue to be attractive picks.

If you only buy one, I would probably make CN the first choice today. The rail operator provides great exposure to the U.S. economy and will benefit from improved conditions in the oil sector through its business segments that transport crude oil and drilling materials.

CATEGORY

1. Energy 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. Energy Stocks
2. Investing

Date
2025/08/24
Date Created
2018/02/24
Author
aswalker