Young Investors: Top Stocks That Can Help You Save Serious TFSA Retirement Cash

Description

Canadian millennials are searching for ways to save for a comfortable retirement.

In the past, young graduates never used to worry too much about the issue, but the opportunities that GenX and Baby Boomers enjoyed early in their careers are becoming increasingly difficult to find.

What's going on?

Full-time jobs for grads are less common, especially right out of school. In fact, many young people now spend a few years on contracts before they secure a permanent gig. When an opportunity does arrive, the pension benefits can vary significantly. Defined benefit plans are becoming rarer and defined-contribution arrangements shift the risk onto the shoulders of employees.

The parents and grandparents of today's young workers also had the opportunity to buy houses at reasonable prices, and the values of those properties have ballooned to the point where they serve as nice retirement safety nets.

House price could very well continue to rise, but new buyers shouldn't bank on the returns the market has delivered in the past 20 years. With interest rates on the rise, there is also a good chance that we will see a pullback in the housing market; a house that is purchased today might not be worth more 20 years from now.

So what can young savers do?

One strategy involves buying dividend growth stocks inside a TFSA and investing the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) to see why it might be an interesting pick.

Strong position

CN is the only North American rail operator with lines connecting three coasts. The company effectively serves as the backbone of the U.S. and Canadian economies.

Despite having a wide competitive moat, CN works hard to ensure it operates as efficiently as possible. The railway continues to invest in network upgrades and recently purchased 60 new engines.

Profitable business

CN generates significant free cash flow and does a good job of sharing it with investors. The company has one of the best dividend-growth records in Canada and just increased the payout by 10% for 2018.

Steady returns

Long-term investors have done well with this stock. A $10,000 investment in CN 20 years ago would be worth more than $170,000 today with the dividends reinvested.

Should you buy?

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

It takes time, dedication, and patience, but young investors can set aside a significant pile of cash for their retirement years.

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1. NYSE:CNI (Canadian National Railway Company)
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