2 Market-Beating Dividend-Growth Stocks for a New RRSP Portfolio

Description

Canadian investors are searching for ways to set some cash aside to fund a comfortable retirement.

One popular option involves buying dividend stocks inside an RRSP and investing the distributions in new shares. This taps the power of compounding and can turn modest initial investments into nice nest eggs over time.

Let's take a look at three top Canadian stocks that might be attractive today.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN is the only rail operator in Canada that has tracks connecting three coasts. This provides a nice competitive advantage, and the situation is unlikely to change anytime soon.

Why?

Attempts to merge rail carriers tend to run into regulatory roadblocks, and new lines probably won't be built along the same routes.

CN still has to compete with trucking companies and other rail operators in some areas, so management works hard to make the company as efficient as possible. Investments in network upgrades and 60 new locomotives are part of the plan to reduce operating costs and maintain a leadership position in the industry.

CN has a strong track record of dividend growth and recently increased the payout by 10%.

Long-term investors have enjoyed nice returns with this stock. A $10,000 investment in CN 20 years ago would be worth about $175,000 today with the dividends reinvested.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

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

The company has grown significantly in recent years, including two major acquisitions south of the border. Those deals, along with a $14.5 billion five-year capital program, should provide enough revenue and cash flow growth to support healthy dividend increases.

In fact, Fortis plans to raise the payout by at least 6% per year through 2022. The company has bumped up the distribution every year for more than four decades, so the guidance should be reliable.

Most of the company's revenue comes from regulated assets, so cash flow should be predictable and steady, regardless of the ups and downs of the broader financial markets.

At the time of writing, the stock provides a yield of 4%.

A $10,000 investment in Fortis 20 years ago would be worth more than $75,000 today with the dividends reinvested.

The bottom line

There is no guarantee these two companies will generate the same returns in the coming years, but the strategy of buying top-quality dividend-growth stocks and reinvesting the dividends is a proven one, and both CN and Fortis should continue to be attractive picks.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/07/05
Date Created
2018/03/19
Author
aswalker