2 Top Canadian Dividend-Growth Stocks to Start Your Retirement Fund in a Volatile Market

Description

Young Canadian investors are searching for ways to set cash aside for the golden years, but recent turbulence in the equity markets might have them wondering where they can safely put their money.

Let's take a look at **Canadian National Railway** (TSX:CNR)(NYSE:CNI) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to see why they might be interesting picks today.

CN

CN is the only rail carrier in North America with tracks connecting three coasts. This is an important competitive advantage that isn't likely 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 has to compete with trucking companies and other railways on some routes, so it works hard to be as efficient as possible and continues to invest in network upgrades. The firm also recently purchased 60 new locomotives.

The stock is down in the past few months amid the broad pullback in the equity markets. Challenges meeting demand for grain shipments and a particularly tough winter have added to the pullback. These are short-term issues, and investors should consider the dip as an opportunity to buy the stock.

CN generates significant free cash flow and does a good job of sharing the profits with investors through share repurchases and rising dividends. The company recently raised the distribution by 10% for 2018.

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

Fortis

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

Most of the company's revenue comes from regulated assets, so cash flow should be predictable and reliable. This is great news for dividend investors who are looking for stable income or using distributions to buy new shares to harness the power of compounding.

Fortis is working through a five-year $14.5 billion capital program that will boost the rate base and support targeted annual dividend growth of at least 6% through 2022.

The company has raised the payout every year for more than four decades, so investors should feel comfortable with the guidance. 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 CN and Fortis will generate the same returns over the next 20 years, but the strategy of buying top-quality dividend-growth stocks and investing the distributions in new shares is a proven one.

If you are looking for reliable buy-and-hold picks to start a TFSA retirement fund in a rocky market, these two companies deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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