2 Market-Beating Dividend Stocks Ideal for Your TFSA

Description

The Tax-Free Saving Account (TFSA) is the most powerful savings tool available to Canadians.

There are many advantages to using it over RRSPs. First, investors don't have to worry about the taxman while making money through their TFSAs.

Second, there is that flexibility element that we all like with our investments. If you want to withdraw money from your TFSA for any reason, there is no tax penalty. It's also easy to put that money back in. Once RRSP contribution room is used, there's no getting it back.

If you have decided to max out your TFSA limit, then the first step is filling your account with some great dividend stocks that have the history of beating the market.

Let's have a look at **Canadian National Railway** (TSX:CNR)(NYSE:CNI) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to find out if these two top dividend names fit the criteria.

Leaders in their industries

Both CN Rail and Suncor command a dominant position in their respective industries. That's the main advantage of buying stocks that come with a wide moat — a term coined by Warren Buffett to describe companies with a huge competitive advantage.

CN runs a 100-year-old railway business and has a strong leadership position in the transportation sector. The company essentially operates in a duopoly, where **Canadian Pacific Railway** is the only significant competitor.

Suncor is the largest oil producer in the nation's oil sands patch. With oil-exploration assets in Canada and abroad, Suncor also owns refineries and 1,500 Petro-Canada retail locations. This diversification helps Suncor beat the market in any oil price downturns.

With this kind of competitive power, you can imagine that both companies are strongly positioned to expand and drive competition out of the business.

Market-beating returns

Both CN Rail and Suncor have consistently beat the market and produced hefty returns for their investors. During the past five years, investors in CNR stock have almost doubled their money. CN Rail has been a great cash machine for investors, paying uninterrupted dividends since going public in the late 1990s.

This year, management boosted the quarterly payout by 10% to $0.46 per share, totaling $1.84 annually for a yield of 1.92%.

Suncor has a similar track record when it comes delivering market-beating returns. Despite facing one of the worst oil market downturns since 2014, Suncor continued to hike its dividend payout.

The latest jump in payout came on February 7, when the company announced its fourth-quarter earnings, which showed another very strong quarter. Helped by the rising oil output at its fields, Suncor’s board announced a 12.5% hike in the company’s quarterly dividend to $0.36 per common share.

During the past five years, Suncor has delivered 68% in total returns that include dividends — more than double the return by the benchmark S&P/TSX Composite Index.

The bottom line

CN Rail and Suncor are just two examples of stocks you should rely on to build your TFSA portfolio with an aim to get steady income. Once you have bought these stocks, you should stick with your strategy and re-invest the profit to buy more of these shares. This strategy has worked very well for long-term buy-and-hold investors to generate market-beating returns.

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1. Dividend Stocks
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