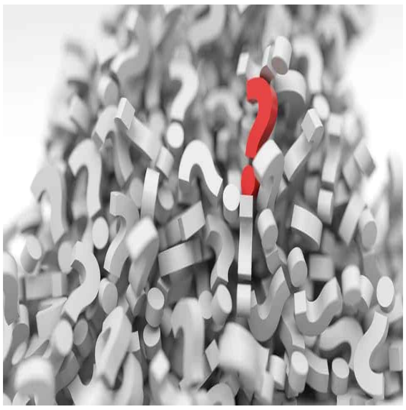

TFSA Investors: Are Suncor Energy Inc. and Canadian National Railway Company Top Dividend Stocks?

Description

Canadian investors are wondering which dividend stocks are the best picks today to put inside their TFSA retirement portfolios.

Let's take a look at two companies that don't often turn up on a dividend investor's radar.

Suncor Energy Inc. (TSX:SU)(NYSE:SU)

Suncor is primarily known as an oil sands play, but the company also owns large refineries and a network of more than 1,500 Petro-Canada retail locations.

The integrated nature of the business is a big reason Suncor's stock price held up so well during the oil rout. As oil prices fell, margins in the production operations took a hit, but the refining and marketing groups performed reasonably well, benefiting from lower input costs.

As a result, Suncor was able to use its strong balance sheet to add strategic assets at attractive prices, including the takeover of Canadian Oil Sands, which gave Suncor a majority stake in Syncrude.

The company also had the financial flexibility to push ahead with large organic developments, including Fort Hills and Hebron. The downturn actually helped Suncor keep construction costs under control, and both Fort Hills and Hebron have now shifted from development to production, just as oil prices appear to be in a sustainable recovery.

Investors are reaping the benefits of lower operating costs, higher oil prices, and increased production. Suncor raised its dividend by 12.5% for 2018, and steady gains should continue in the coming years.

At the time of writing, the stock provides a 2.9% yield.

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

A quick look at CN's 1.8% yield might cause investors to take a pass on the stock, but that would be a mistake; CN is one of the top dividend-growth names in the Canadian market with a 20-year compound annual dividend-growth rate of close to 15%.

The company is an industry leader with a wide moat, which is important to consider when looking for buy-and-hold stocks. CN is the only rail carrier in North America with line connecting three coasts. The advantage is probably secure, as the construction of new lines along the same routes is unlikely, and attempts to merge railways tend to hit regulatory roadblocks.

CN's financial results are determined by the overall health of the Canadian and U.S. economies, but the company operates in many sectors, and when one business unit has a tough quarter, the others often pick up the slack.

CN recently went through a tough few months, but new management and better weather appear to be bringing investors back to the stock. If you missed the dip, don't worry; history suggests any time is a good time to own this name. A $10,000 investment in CN 20 years ago would be worth more than $180,000 today with the dividends reinvested.

The bottom line

Investors can find top dividend-growth stocks in sectors other than the usual go-to picks such as financials, telecoms, and utilities. With rising interest rates back on the table, it is important to look for new opportunities in the market.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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