



1 Dividend-Growth Stock That Deserves a Permanent Spot in Your TFSA

Description

When you're building your TFSA's foundation, you should keep things simple, even boring, by sticking with easy-to-understand dividend-paying stocks that you can feel comfortable owning for decades at a time.

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)) fits the bill as a forever stock that's poised to return a profound amount of wealth back into the pockets of shareholders through both capital gains and dividend hikes.

As you may have guessed, Waste Connections is a provider of waste collection and disposal services as well as recycling solutions. Essentially, the company has been [turning trash into cash](#) for a prolonged period of time, providing its investors with returns that are more indicative of a red-hot tech stock than that of an old-fashioned business seemingly lacking in innovation.

Don't underestimate the potential for dividend growth

The stock of Waste Connections has nearly tripled over the past five years, and although today's dividend may seem negligible with a yield of just 0.73%, it's worth remembering that Waste Connections has the capacity to hike its dividend at a high double-digit rate on an annualized basis.

The company delivered a 24% hike in 2016 and a 17% hike in 2017. At this rate, the dividend will stand to double in fewer than five years and more than quintuple in a decade! If your intention is to hang on to shares for the long term, you'll eventually have a dividend stream that's large enough to rely on for monthly income with annual double-digit raises!

This makes Waste Connections one of the most attractive dividend-growth plays for young investors who are seeking to set themselves up with a future income stock while still being able to enjoy the price appreciation in the meantime.

Smart beta is anything but "unsexy"

As "unsexy" as the business may seem, the longer-term chart is one of the sexiest out there — a solid

upward trajectory with minimal volatility, as if a chartist drew a straight upward-sloping line!

Waste Connections is a [smart beta stock](#), meaning shares experience a below-average amount of volatility (low beta) to go with a remarkable amount of positive momentum. If you haven't heard of the "smart-beta" strategy, it's one of the "sexiest" passive stock selection strategies out there right now!

The low volatility comes from the worry-free nature of the defensive business, and the positive long-term momentum comes from smart, accretive acquisitions in conjunction with an incredibly effective management team that's able to drive operational efficiencies through the roof.

Bottom line

Trash needs to be taken out, recession or no recession. And with Waste Connection's high barrier to entry with its industry-leading free cash flow margins, it's not hard to see why the company is a must-buy on forms of weakness. If you're a young investor looking to profit in the medium term, while setting yourself up with an unmatched income stream in the distant future, you should add Waste Connections to your watch list today with the intention of pulling the trigger on a pullback.

At the time of writing, the stock is surging past all-time highs, and the valuation certainly appears rich at 48.3 times trailing earnings. The underlying business is wonderful, but the valuation is nothing to write home about right now.

Should shares fall back to \$90, treat the pullback as a gift courtesy of Mr. Market, and make sure you hang on for decades at a time to get the full effect of long-term, tax-free compounding.

Stay hungry. Stay Foolish.

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