

A Perfect Growth and Dividend Stock for TFSA Investors

Description

As you build your investment portfolio by using your Tax-Free Savings Account (TFSA), it's important that you buy stocks that have both growth and income potential.

There aren't many companies that fit in this category, though. Companies that pay growing dividends usually belong to mature industries, and they don't offer too much upside growth potential. [Canadian National Railway](#) (TSX:CNR)(NYSE:CNI) stock, however, is an exception. It offers both growth and stable income potential to investors. Here is why.

Surging transportation demand

For long-term investors, [CN Rail](#) is a great growth play to consider. This transportation giant has a dominant position in North America, running a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

This unique position in the region's logistics makes CN Rail a stock that poised for excellent growth. The company is benefiting from a strong North American economy; capacity constraints in energy pipelines and the trucking industry are shifting a lot of freight to CN's network.

To meet this growing demand, CN Rail is undertaking a record \$3.4 billion expansion that will be concentrated on the western section of the company's network — from the British Columbia ports of Prince Rupert and Vancouver to Chicago, where growth is strongest.

Growing dividends

With a strong growth potential, CN Rail is also a solid dividend stock. The company has paid 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 1.64%. The company has been increasing its dividend with a five-year CAGR of 14% and has plans to continue with the double-digit growth in its payouts going forward.

CN Rail's yield doesn't look attractive, but this doesn't tell us the company's true potential. During the past five years, CN Rail stock has almost doubled in its value, massively outperforming the benchmark index.

Trading at \$110.77, CN Rail stock looks fairly valued after recovering losses it suffered early this year. Encouraged by a robust North American economy, which is creating more demand for manufacturing and energy products, analysts are becoming more confident about CN Rail.

The bottom line

CN Rail is an attractive pick for TFSA investors who want to add a solid dividend and growth stock in their portfolio to earn higher returns.

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