2 Dividend Stocks to Buy and Hold in Your TFSA

Description

Stocks that offer both growth and income potential is a hard combination to get for your Tax-Free Savings Account (TFSA). Companies that pay growing dividends usually belong to mature industries, and they don't offer too much upside growth potential.

Here are two Canadian dividend stocks that have delivered hefty total returns to investors, and they are still going strong. Let's take a deeper look.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is a great growth stock to keep in your TFSA for two reasons.

First, this railroad giant has a dominant position in North America that's hard to challenge. It runs 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 is 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 fix bottlenecks by adding staff, tracks, sidings, and locomotives.

And the second reason that makes CN Rail a perfect income play is its growing dividend. 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 1.65%. 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.

Dollarama Inc.

Canada's discount retailer, **Dollarama Inc.** (TSX:DOL), is another attractive pick for TFSA investors who seek both growth and income. The retailer has a dominant position in Canada's discount space with massive spending on its expansion during the past five years.

Dollarama's expansion coupled with its unique retail strategy of targeting Canada's middle class produced hefty returns for its shareholders. In the span of five years, investors have more than doubled their investments, as sales grew at a compound annual growth rate of 12% since 2014.

For long-term investors, Dollarama stock also holds great income appeal. The retailer has a history of paying steadily growing dividends. In its fourth-quarter earnings, Dollarama hiked its quarterly payout by one penny to $0.12 a share.

The bottom line

CN Rail and Dollarama both have strong growth momentum. Keeping them in your long-term TFSA portfolio is a good strategy, as you can earn potential capital gains tax free.

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2. TSX:CNR (Canadian National Railway Company)
3. TSX:DOL (Dollarama Inc.)

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Author
hanwar