Should Telus Corporation (TSX:TU) or Canadian National Railway (TSX:CNR) Be in Your RRSP?

Description

Canadian savers are using their self-directed RRSP accounts to help fund a comfortable life once they wrap up their careers.

One popular RRSP investing strategy involves owning top dividend stocks and using the distributions to acquire new shares. This sets off a powerful compounding process that can help build a substantial retirement portfolio.

Let's take a look at **Telus Corporation** (TSX:T)(NYSE:TU) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) to see if one is a better pick.

Telus

Telus is based in British Columbia, but the company competes for customers right across the country.

Investors often wonder if the lack of a media division is a negative for the company. Time will eventually tell, but so far, avoiding the temptation to pump billions into TV and radio assets looks like a smart decision.

Telus continues to invest in network upgrades, ensuring it can deliver world-class broadband services to its subscribers. The company also takes its customer service seriously, and the fruits of the efforts are turning up in the results. Overall, net new customer additions came in at 76,000 for the quarter.

Telus is now beyond the 50% point of its fibre-optic coverage initiative, helping it win more internet and Telus TV subscribers. On the wireless side, Telus reported an industry-leading postpaid mobile churn rate of just 0.95% in Q1 2018.

Free cash flow doubled in Q1 compared to the same period last year. As the company completes the fibre-optic roll-out, free cash flow should continue to increase.

Telus has a strong track record of dividend growth. The current payout provides a yield of 4.5%.

A $10,000 investment in Telus 15 years ago would be worth about $70,000 today with the dividends reinvested.

CN

CN recently gave its interim CEO, JJ Ruest, the full-time job. This should provide some stability in the executive ranks and allow CN to focus its efforts on upgrading the network and ensure it has the assets in place to meet growing demand.

The company is taking 60 new locomotives this year as part of a 200-unit purchase. In addition, management is spending money on new grain and lumber cars. In total, CN has a 2018 capital program of $3.5 billion.

The company still has significant cash available to share with investors. CN reported Q2 2018 adjusted net income of $1.12 billion, representing an increase of 11%, compared to Q2 2017. Free cash flow came in at $974 million compared to $811 million in the same quarter last year.

CN raised the dividend by 10% for 2018, and investors have enjoyed a compound annual dividend-growth rate of about 16% over the past 20 years.

Long-term holders of this stock are happy campers. A $10,000 investment in CN just 15 years ago would be worth $125,000 today with the dividends reinvested.

Is one more attractive?

Both stocks should continue to be solid buy-and-hold RRSP candidates. If you only choose one, I would probably go with CN as the first pick today.

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