2 Canadian Dividend-Growth Stocks to Ramp Up TFSA Returns

Description

Canadian savers of all types are holding dividend stocks inside their Tax-Free Savings Accounts to help them reach their investing goals.

Retirees are able to pocket the full value of the distributions to supplement monthly pension payments. Younger investors who are using the TFSA as a retirement fund can invest dividends in new shares to boost long-term returns.

Let's take a look at **Telus** (TSX:T)(NYSE:TU) and **Canadian National Railway** (TSX:CNR)(NYSE:CNI) to see why they might be interesting picks.

Telus

Telus continues to plug along in the cozy Canadian communications market. The company reported solid Q2 2018 results, with year-over-year revenue growth of 5.3% and EBITDA growth of 3.6%.

Free cash flow increased 27% to $329 million, which is good news for dividend investors.

Telus added a total of 135,000 net new wireless, internet, and TV subscribers during the quarter. A strong focus on customer service is paying off, as the company delivered its best combined customer loyalty on record across the business segments.

Postpaid wireless net additions came in at 87,000, supported by an industry-leading churn rate of just 0.83% and improvements in service due to ongoing network investments.

On the wireline side, the company reported 34,000 net new subscribers, highlighting strong internet and TV growth in addition to the lowest residential line losses since 2004.

Average billing per user per month rose slightly to $67.24, representing the 31st straight year-over-year increase on a quarterly basis.

Telus has a strong track record of dividend growth and expects to see its 7-10% annual increases continue through 2019. At the time of writing, the stock provides a yield of 4.5%.

A $10,000 investment in Telus 15 years ago would be worth more than $65,000 today with the dividends reinvested.

CN

CN had a turbulent start to 2018, with rough winter conditions, potential work disruptions, and a CEO change all causing some uncertainty for investors.

The situation has since calmed down, and CN is once again focused on delivering great returns for its shareholders. New agreements are in place with employees, and the interim CEO was recently rewarded with the job on a permanent basis.

CN is investing record funds in new equipment and rail infrastructure to ensure the company meets growing demand for its services in key segments. Despite the $3.5 billion 2018 capital program, CN still has ample profits left over to pay shareholders. In fact, free cash flow for the first half of 2018 came in at $1.296 billion.

The Q2 results saw adjusted net income increase 27% compared to the same period last year. Revenue rose by 9%, supported by growth in coal, forestry products, chemicals and petroleum, grain and fertilizer, metals and minerals, and intermodal. Automotive revenue slipped 1%.

CN raised its dividend by 10% for 2018, and more gains should be on the way. The company has a compound annual growth rate of about 16% over the past two decades.

Long-term investors have enjoyed impressive returns. A $10,000 investment in CN just 15 years ago would be worth more than $120,000 today with the dividends reinvested.

The bottom line

Both Telus and CN should be solid picks for a buy-and-hold TFSA dividend-growth portfolio.

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