2 Top Dividend Stocks TFSA Investors Should Buy Right Now

Description

Investors using their Tax-Free Savings Account (TFSAs) to build their retirement portfolio need to select stocks that are reliable and have a potential to reward their investors on regular basis.

In this approach, top companies that pay regular dividends provide one of the best avenues to long-term investors. Let's have a closer look at **Canadian National Railway** (TSX:CNR)(NYSE:CNI) and **Fortis** (TSX:FTS)(NYSE:FTS) to find out if they are good picks for your TFSA.

CN Rail

For investing for retirement, it makes sense to buy stocks that command dominant positions in their markets, operate in oligopolies, or offer product and services that dominate our daily lives.

You are unlikely to find too much capital growth in these stocks, but these are low-risk investments to slowly multiply your wealth. After carefully analyzing CNR, I feel this stock certainly belongs to this group. The company runs a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

The company essentially operates in a duopoly where its nearest competitor is **Canadian Pacific Railway**. This strong position has allowed CNR to offer great returns to its investors for the past decade. Including dividends that are re-invested, CNR stock has risen more than three-fold compared to just 20% gains in the benchmark S&P/TSX Composite Index.

The company has paid uninterrupted dividends ever since going public in the late 1990s. With a five-year CAGR of 14%, CNR now pays $1.86 a share annual dividend, and there is no sign that it won't grow going forward when the North American economy is going strong and there is a great demand for transportation services.

Fortis

Top energy infrastructure companies from North America offer another avenue for TFSA investors to grow their investment gradually. In this space, I like particularly like St. John's-based Fortis. The company has a diversified asset base with a robust development plan to fuel more growth.

Currently, Fortis provides electricity and gas to 3.2 million customers in the U.S., Canada, and Caribbean countries, with its U.S. operations accounting for 59% of its regulated earnings. Fortis's strong customer base helps the company generate stable earnings that support its aggressive dividend policy. Its quarterly dividend of $0.425 per share is 6.25% higher when compared to the last year.

Trading $42.59 per share, Fortis stock hasn't done much for its investors during the past year, as its shares come under pressure due to rising interest rates and increased investment the utility needs to expand its asset base.

Despite this setback, I think this is a good time to take a position in this top dividend stock, which plans to hike its payout by 6% through 2022. The company has increased its dividend payout for 44 consecutive years.

Bottom line

Both CNR and Fortis are two solid dividend stocks that you could consider adding to your TFSA portfolio. These stocks provide growing payouts and have good potential to slowly grow your investments.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. NYSE:CP (Canadian Pacific Railway)
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