



Here Is My Top Dividend Stock for Retirees

Description

When you're building a stock portfolio to earn retirement income, you should look for companies that you can hold on to for the next 10, 20, or even 30 years.

The reason for this buy-and-hold approach is that your goal is to build your [savings for your retirement](#), and you want to invest in companies that pay dividends, no matter what's happening with the general economy. Their payouts survive peaks and troughs, wars, depressions, and asset bubbles. And the next logical question is, what makes a dividend stock a long-term buy?

I will explain the qualities of a top dividend stock by analyzing one of my favourite dividend picks for retirees, [Canadian National Railway \(TSX:CNR\)\(NYSE:CNI\)](#). Let's take a deeper look.

Wide economic moat

When you pick dividend stocks for your retirement portfolio, you should look for companies that have a wide economic moat, a term coined by the world's most successful value investor, Warren Buffett. Put simply, you pick businesses that have the financial muscles to defend their turfs against competition.

CN Rail is a transportation giant that 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 wide economic moat makes CN Rail a stock that has the power to defend its business, while continuing to pursue growth. Currently, the company is benefiting from a strong North American economy. To meet the growing demand for transportation services, 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 cash flows

Remember, you invest in dividend stocks to earn growing income. So, you need to find stocks that have the capacity to generate solid cash flows they could distribute among shareholders on a regular

basis.

CN Rail, no doubt, is one such 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 1.59%.

CN Rail's dividend yield may not look attractive to you, but investing in stocks just because of their high yields isn't a sound strategy. You invest in dividend stocks to get payout growth to benefit from the power of compounding. CNR 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. During the past five years, CN Rail has delivered 121% in total returns, including re-invested dividends.

The bottom line

Robust cash flows, a dominant market position, and a solid history of paying dividends are some of the qualities of a top dividend stock for retirees. CN Rail definitely meets many of these qualities, and that's why I believe the stock is a good pick for your retirement portfolio.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

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