Don’t Wait to Put These 2 Stocks in Your TFSA

Description

There are certain stocks that need to be in your TFSA. This account should be your growth, dividend, and ultimate wealth-building machine. It makes sense to put companies that have solid growth histories, strong fundamentals, and preferably growing dividends into this wealth-compounding machine. Luckily, Canada has a number of stocks that fit this profile.

Many of the companies that Canadian investors should own are in the banking, utility, telecom, and railroad sectors. At least two of these sectors, banking and railroads, have been pulling back enough that investors, especially those who have not yet started to build a position, should begin to invest for the long haul. Companies like **Canadian National Railway** (TSX:CNR)(NYSE:CNI) and **Canadian Pacific Railway** (TSX:CP)(NYSE:CP) are starting to retreat to pretty attractive entry points.

If it’s dividends you’re looking for, both of these railways have the right stuff. While their current yields appear rather paltry (CNR sports a yield of 1.6% and CP one of just under 1%). The low yield, however, is not a symptom of a stagnant business, but is actually quite the contrary. The dividend remains low due to the steady upward march of the companies’ share prices.

In fact, dividend growth has kept the yield quite high. CNR has a long history of dividend increases, many of which are in the double digits. Earlier this year, management continued this trend with a 10% increase announced to the quarterly payout.

CP does not have the same steady history due to its desire to conserve capital for acquisitions, most notably its pursuit of the American railway **CSX Corp.** Once the deal fell through, though, CP once again began raising its dividend. This year was no exception, with a 15.5% increase announced in May.

These dividends remain very secure. CNR maintains its payout ratio in the 20-30% of earnings range and CP often has its ratio below 20%, you can be quite certain that the dividends should remain secure if earnings and free cash flow continues to grow.

Both of these companies continue to grow these earnings substantially. In the third quarter, CNR increased its diluted earnings per share by a solid 21% over the same quarter a year earlier. CP's diluted earnings per share were up 24% over the same period. Their revenues weren't bad either, with CNR's increasing by 14% and CNR by 19%. That is solid growth from a couple of steady companies that have been around for ages.

A final positive factor for owning both of these companies is the fact that their share counts have been decreasing over the past several years, increasing the value of each share that is owned.

Put these stocks in your TFSA and watch them grow

Both of these companies need to be in your TFSA. They are relatively low-risk, so you can lock these away and collect dividend growth for decades. Their dividends are fantastic, with excellent growth potential ahead of them. The best part is, the market pullback that is currently affecting stocks is a buying opportunity for both of these companies. The compounding impact of dividend and capital appreciation will pay off over time if investors stick with these for the long haul.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:CP (Canadian Pacific Railway)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:CP (Canadian Pacific Railway)

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