2 Top Dividend Growth Stocks I'd Buy With an Extra $6,000 in TFSA Funds

Description

Come January; you'll be able to contribute $6,000 into your TFSA, a $500 increase from last year! If you've got the extra cash sitting in a non-registered account, it's in your best interest to contribute the maximum amount immediately so that you can get the most from the power of tax-free compounding.

Although there are still a few weeks before you can legally contribute, you should think about what to buy ahead of time. The markets have been nasty of late, and there are a ton of deals out there right now. So, make a list, check it twice, and get ready to do some buying come January!

If you lack ideas, here are three cheap dividend growth stocks that are on my radar:

Canadian National Railway Company (TSX:CNR)(NYSE:CNI)

No list of top dividend growth stocks would be complete without CN Rail headlining it.

The wide-moat dividend aristocrat continues to chug along with its newly promoted CEO J.J. Ruest who's proven to everybody that he's capable of running the show at a very high level. As North America's most efficient railway, CN Rail is the gold standard that all other rails strive to become, and with the recent overwhelming demand surge for its intermodal transportation services, the company scooped up a trucking company in TransX as a complement to its rail business.

I'm a huge fan of the deal of the trucking business in general. In a prior piece, I referred to the rails the heart of the economy and the truckers as the blood vessels of the economy. CN Rail now has a mighty heart to go with healthy blood vessels and is very well-positioned to profit profoundly from as the economy continues ripping higher.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD Bank is probably the best bank to own for the long-term thanks to its rock-solid retail banking business and its promising U.S. foundation that's been built throughout many years.

The company just reported a solid Q4 fiscal 2018 quarter which saw its Canadian and U.S. retail banking net incomes increase year over year by 5% and 40%, respectively. Higher rates bolstered net interest margins (NIMs), and as rates gradually inch higher, we'll continue to see TD Bank reap the rewards.

The company is a dividend growth king, and assuming the company keeps knocking it out of the ballpark, don't be surprised to see the company hike its dividend at a 10% rate on any given year.

The stock currently yields 3.72%, but more remarkably, the dividend has more than doubled over the past decade, and assuming the same pace of hikes, which I think is more than realistic, a yield on today's principal in a decade from now would be well north of the 7% mark. That's not a bad monthly payout for the magnitude of expected capital gains!

Foolish takeaway

Both CN Rail and TD Bank are no-brainer buys at this juncture. Both stocks appear undervalued after the recent bout of volatility and should the New Year bring even better prices for both stocks; I'd put $3,000 to work in each name with your 2019 TFSA contribution!

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Author
joefrenette