Retirement Investors: 2 Top Canadian Dividend Growth Stocks to Buy Now and Own for 30 Years

Description

The steep pullback in the TSX Index is providing investors with a rare opportunity to buy some of the country's best companies at cheap prices.

Let's take a look at **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) and **Toronto Dominion Bank** (TSX:TD)(NYSE:TD) to why they might be interesting picks today for your retirement portfolio.

CN

CN is down from $118 per share in October to $100. This puts the price to earnings multiple at 12.7, compared to an average of 19 over the past five years.

The company reported strong Q3 2018 results and is anticipating a record year in 2019, driven by strong freight demand in the fertilizer and oil segments of its business. Oil-by-rail shipments are expected to increase significantly in the near term as Alberta searches for ways to bypass the pipeline bottlenecks to get its oil to higher-priced international markets.

CN continues to invest to ensure it remains competitive and can handle the demand growth for its services. The company spent $3.5 billion in 2018 on new locomotives, additional rail cars, and network upgrades.

Investors received a 10% dividend increase in 2018 and a similar hike should be on the way this year. CN is also aggressively buying back shares to take advantage of the drop in the stock price.

The company generates healthy free cash flow that can support the capital program as well as the generous payouts to investors. Additional near-term downside could occur, but historical returns suggest the current pullback might be a good opportunity to buy.

A $10,000 investment in CN 20 years ago would be worth about $200,000 today with the dividends reinvested.

TD

TD had a strong 2018 and market conditions are favourable for continued growth.

The company reported a 15% increase in adjusted earnings compare to fiscal 2017. Adjusted earnings per share rose 17% and adjusted return on equity was 17%.

TD raised its dividend by 11% during the year, essentially matching its compound annual dividend growth rate over the past two decades. The current payout provides a yield of 3.9%. TD bought back 20 million shares last year and intends to repurchase a similar number in fiscal 2019.

Rising interest rates have provided an improvement in net interest margins in both the Canadian and U.S. operations over the past 12 months. Tax cuts in the United States also helped boost net income.

TD is targeting continued annual earnings growth of 7-10% over the medium term. The bank regularly beats the guidance.

The stock is down from $80 in September to $68 per share. Assuming profit growth comes in as anticipated, TD is now trading at an attractive 9.7 times forward earnings.

A $10,000 investment in TD two decades ago would be worth more than $90,000 today with the dividends reinvested.

The bottom line

CN and TD are proven wealth generators for investors and tend to be great buys when the stock prices correct. If you have some cash available for your self-directed RRSP or TFSA, these two stocks should be on your radar today.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date
2025/08/25
Date Created
2019/01/04
Author
aswalker