



This Stock Could Make You a Millionaire Retiree

Description

With Canada's population aging, retirement is the name of the game. According to Statistics Canada, one in seven Canadians was a senior in 2012, with one quarter projected to be by 2030. So it's no surprise that retirement investing is becoming a hotter topic every year.

While some Canadians have employee-sponsored pensions to rely on, the vast majority don't, which makes saving crucial for most of the population. The average monthly CPP payment is just \$629, which is nowhere near enough to live off. So if you want to retire comfortably, you need to not only save, but also invest in order to maximize your income.

But retirement investing comes with its own unique challenges. Because retirement money is a need, as opposed to a want, it's best not to gamble with your retirement funds. Instead, these funds should be spent on low-risk stocks that offer a moderate return—enough to get you to \$1 million with steady saving. One such investment is a stock whose 101-year history leaves no doubt as to its long-term value.

Canadian National Railway ([TSX:CNR](#))([NYS:CNI](#))

Canadian Railway is Canada's largest railway operator. Primarily a freight operator, it makes money by charging shipping fees to customers. In this area it enjoys huge cost efficiency compared to trucks, which have lesser storage capacity and thus burn more fuel per unit shipped. And because it owns the rails it runs on, it has an impenetrable barrier to competition within its service area.

Unbelievable long-term performance

CN Railway's long-term performance has been absolutely phenomenal. In terms of fundamentals, we can talk about the fact that the company grew revenue by 14% and diluted EPS by 21% in its most recent quarter while generating a stunning 40% return on equity. On the side of returns, we can talk about the fact that a \$20,000 stake 20 years ago with dividends reinvested would be [worth \\$460,000](#) today. But whichever way you slice it, this is a growing company with solid long-term gains.

Backed by smart money

The aforementioned point is not just the idle speculation of one writer. According to the *Wall Street Journal*, 12 analysts rate CN Railway a buy while 16 rate it a hold—none of the analysts tracked rate it a sell. Bill Gates is one savvy investor who [owns CN Railway](#), with a 12% stake in the company as of the most recent reports. Although Gates is not necessarily an investing legend himself, he has the counsel of his friend Warren Buffett to draw on, and his decision to buy CN back in 2011 was most likely inspired by Buffett's profitable Burlington Northern Santa Fe investment. So CN can be considered a Buffett-inspired pick.

Dividends

One final point worth mentioning is that CN Railway shares pay a dividend. Based on the forward annual payout of \$1.82, the yield is 1.67%, which isn't insanely high. However, CN Railway has a long-term track record of raising its quarterly dividend, which has increased from \$0.33 to \$0.46 since 2011. So with long term dividend reinvestment, CN shares can become steady income producers—exactly what you want in a retirement stock.

CATEGORY

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