



1 Superior Dividend Grower to Own in a TFSA for the Next Decade

Description

High-quality dividend-growth stocks are like fine wines: they get better with age and aren't anything to write about until decades have passed. With dividend-growth stocks, you're sacrificing upfront dividend yield initially, but as the years pass by, your yield based on your original principal is going to grow in conjunction with the stock's price.

While double-digit-percentage dividend growth is difficult to forecast over the extremely long term given the vast number of uncertainties, investors can gain an edge by having a look at a company's history of dividend growth. It's not just about investing in Dividend Aristocrats that have hiked their dividend for X number of consecutive years. I believe it's more important to look at the magnitude of dividend growth that's been posted over the last decade and whether this magnitude has remained consistent, has been uptrending, or has been downtrending.

Moreover, it's also worthwhile to consider the payout ratio and the operating cash flow (OCF) payout ratio to gauge whether a company is stretching itself to meet its dividend-growth commitment.

If you spot a stock with consistent (or falling) payout ratios and a constant (or growing) dividend-growth rate, you could have a winner on your hands that could not only reward you with a fat, growing dividend for your patience, but ample capital gains, as a stock's price typically follows in the footsteps of earnings and cash flows.

Without further ado, consider **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)), a top [dividend grower](#) to own for decades at a time, preferably in a TFSA.

Fellow Fool contributor Kay Ng had [great things to say](#) about Brookfield Infrastructure: a utility that's not only cheap but is fully loaded with a "truly diversified portfolio" of sought-after cash flow-generative assets.

As Kay noted, Brookfield Infrastructure has an exceptional management team that allows the firm to achieve superior risk-adjusted returns for investors. Not only that, but infrastructure assets themselves, by nature, are less correlated to the broader markets. Think of infrastructure plays as an alternative asset class that may better enable your portfolio to weather rough market waters.

Over the last five years, Brookfield Infrastructure has hiked its dividend by around 13%, and moving forward I don't think it's far-fetched to see the company continue to raise its dividend by low-double-digit percentage amounts over the next five years.

Add Kay's observation that Brookfield Infrastructure's payout is improving, and I think the company is setting itself for many years, if not decades' worth of double-digit dividend-growth numbers. Now, double-digit dividend hikes may not be that remarkable if done over just a few years (especially with a strong economy), but if such growth is sustained over decades (regardless of the state of the market cycle), the amount of dividend growth that can be experienced over the long haul is actually quite profound.

Every year you hold Brookfield Infrastructure Partners, your yield based on your principal will keep growing and growing, rewarding you with healthy income for life.

Foolish takeaway

If you've got decades to invest, forget about upfront yield. Buy a dividend-growth stock that's well positioned to keep its dividend CAGR consistently in the double digits. Few firms can do this, but Brookfield Infrastructure is one of them, and right now, it's trading down over 10% from its high. Collect the 3.64% yield and watch it swell over the years, until eventually, you get a super high yielder with impressive capital gains.

Stay hungry. Stay Foolish.

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