



A Solid Dividend Stock to Boost Income in Your TFSA

Description

When you're deciding to pick stocks for your Tax-Free Savings Account (TFSA), one important consideration should be how much growth you're going to get in your income in the next five, 10, or 20 years.

This factor could be crucial for your decision because you really want to use the power of compounding to get the full benefits of tax-free saving vehicles such as the TFSA. As the years tick by, you want to grow the income potential of your portfolio and use it when you're retired.

There are many dividend stocks that fit into this class, but [Canadian National Railway \(TSX:CNR\)\(NYSE:CNI\)](#) is one of the best dividend-growth stocks that I've recommended for quite some time.

This transportation giant has a dominant position in North America, running a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico.

This unique position in the region's logistics makes CN a stock that poised for excellent growth. The company is benefiting from a strong North American economy and the capacity constraints in Canadian energy pipelines.

CN predicts strong 2019

That strength was on display this week when the company reported its fourth-quarter earnings. CN posted a 10% jump in its 2018 sales and predicted another strong year ahead, helped by strong demand for shipments of oil, coal, and grain.

During the fourth quarter, Canada's largest railway earned \$1.09 billion on an adjusted basis, or \$1.49 per diluted share, beating analysts' expectations. That compares to adjusted earnings of \$897 million, or \$1.20 per diluted share, for the same quarter a year ago.

There's no doubt that the destiny of railroad stocks is very much tied with the general direction of the economy. When companies produce more goods and consumers are willing to buy them, CN has more demand to move these products.

In Canada, CN is benefiting from [pipeline capacity shortages](#), which are forcing energy producers to move their oil through rail.

Last quarter, revenue from petroleum and chemicals surged 50%, contributing to a 20% increase for the full year to \$2.66 billion.

These favourable conditions helped CN to hike its dividend payout by 18% for 2019. The Montreal-based company will increase the quarterly payout to \$0.537 a share on March 29 to shareholders of record on March 8. It also plans to repurchase up to 22 million shares over the coming year.

The company has been increasing its dividend with a five-year CAGR of 14% and has plans to continue with the double-digit growth in its payouts going forward.

Bottom line

Trading at \$109.79 at the time of writing, CN stock has had a good rally after the December dip. Its shares are now up 13% since late December, offering an annual dividend yield of 1.96%. With the company's strong earnings momentum and its growing payouts, I believe CNR stock is an attractive option for TFSA investors even after its recent gains.

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1. Dividend Stocks
2. Investing
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1. Editor's Choice

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