



A Top Stock to Buy for TFSA Investors

Description

What kind of stocks are perfect for investing for the long-term? That question is particularly important for you if you are planning to use your [Tax-Free Savings Account](#) (TFSA) to build your wealth for your retirement.

In my opinion, those companies with a durable competitive advantage and strong cash flows to pay regularly increasing dividends are the best candidates for such investments. My reason for this recommendation is simple: you don't too much volatility in your portfolio. Instead, you are better off to stick with solid companies that are the leaders in their industries with a little competition.

In Canada, you can find banking, telecom utilities and some energy giants in this category. Today, I want to highlight another business that's so crucial for our economy and perfectly fits in our criteria for a long-term income-generating asset.

That stock is [Canadian National Railway](#) ([TSX:CNR](#))([NYSE:CNI](#)), a transportation giant that runs a 19,600-mile rail network that spans Canada and mid-America connecting the Atlantic, the Pacific, and the Gulf of Mexico.

Wide economic moat

The chances are that many things that you consume in your daily life have reached to you through the massive transportation network of CN Rail. This wide economic moat makes CN Rail a stock with the power to defend its business, while continuing to pursue growth.

For TFSA investors, one important element to consider is that they want to earn dividend income that's growing regularly and that stock has some upside potential. This combination is hard to come by, but CN Rail is a stock that can satisfy you on these accounts.

The company has paid uninterrupted dividends since going public in the late 1990s. Last month, the management boosted the quarterly payout by 18% to \$0.54 per share, totaling \$2.15 annually.

The company's ability to continue paying growing dividend is something you must look for when you add a stock in your forever portfolio.

CNR 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 as its cash flows get a major boost from increasing shipments of oil, coal and grain.

CN Rail is benefiting from one of the largest expansions of its history to meet demand for oil and grain shipments. The ongoing expansion includes newly expanded rail yards and additional tracks, 1,250 more conductors this winter versus last, and 140 more high-powered locomotives from GE Transport set to arrive in 2019.

Last quarter, revenue from petroleum and chemicals rose 50% year over year, thereby driving a 20% increase for the full year to \$2.66 billion.

Bottom line

Since hitting the December low, CNR stock has surged about 18%. It now trades at \$113.49, a level close to the analysts '12-month price target. That suggests it may not be a good time to buy this stock after this strong rally, but there is no harm in waiting and getting a level where you can get some bargain for this stock.

Over the long run, its robust cash flows, dominant market position, and solid history of paying dividends are some of the qualities that make it a solid dividend stock to have in your TFSA.

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