



A Stock That Could Prove 1 of the Best Additions to Your TFSA

Description

Buying stocks to hold in your Tax-Free Savings Account (TFSA) is one of the best ways to build your retirement income. If you plan to embark on this journey, then your next challenge is to pick stocks that fit in this strategy.

Companies that pay regular dividends and increase them regularly, in my view, are some of the best bets for your TFSA. [Canadian National Railway](#) (TSX:CNR)(NYSE:CNI) is one such player that perfectly fits into this investing strategy. Let's take a deeper look.

CN Rail's competitive advantage

One of the biggest strengths of CN Rail is that it has a wide economic moat, which you need to make a long-term bet on any dividend-paying stock.

CN Rail is a transportation giant with 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 strong competitive position in the regional economy helps the company to recover quickly from any challenging economic environment and continue to generate strong cash flows. This strength was on display when the company announced its fourth-quarter earnings report in late January.

The company boosted its dividend by 18% after reporting that its revenues surged 10% in 2018, boosted by strong shipments of oil, coal, and grain. "Being the biggest railroad in Canada we really need to be in position to move the economy and be able to respond to a surge when there is some surge," the company's CEO Jean-Jacques Ruest told *Bloomberg*.

Growth in payouts

With this year's dividend hike, investors now get a \$0.53-a-share quarterly dividend, which has been going up since the company went public in 1990. That solid track-record is a proof that CN Rail's business can sustain recessions, economic downturns, and other shocks.

[CN Rail's dividend yield](#) may not look attractive to you, but investing in stocks just because of their high yields isn't a sound strategy. You invest in dividend stocks to get payout growth to benefit from the power of compounding.

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 going forward.

The bottom line

Robust cash flows, a dominant market position, and a solid history of paying dividends are some of the qualities of a stock that you should keep in your TFSA. CN Rail meets all of these criteria, making it one of the best stocks to buy and hold.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

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1. Editor's Choice

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1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

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