1 Top Dividend Stock You Never Need to Sell

Description

Buying stocks with an intention to never sell is a strategy many successful investors follow. This investing style usually suits those investors who want to build a portfolio that could generate a steady income stream when they retire.

If you plan to embark on this journey, then your next challenge is to pick stocks that fit well in your long-term income-generating portfolio. Canadian National Railway (TSX:CNR)(NYSE:CNI) is one top dividend stock that you should not sell once you have bought it. Let's discuss why.

A wide economic moat

One of the biggest advantages that CN Rail enjoys when compared to other top dividend stocks in the market is that it has a wide economic moat, which you need to find when you're making a long-term bet on any stock.

CN Rail is a transportation giant with a dominant position in North America, running a 20,000-mile network that spans Canada and mid-America, connecting three coasts: the Atlantic, the Pacific and the Gulf of Mexico.

There is hardly any product that we consume in Canada that CN Rail network doesn't handle. It transports more than $250 billion worth of goods annually, ranging from resource products to manufactured to consumer goods.

This strong competitive position in the regional economy helps the company recover quickly from any challenging economic environment and continue to generate strong cash flows.

Growing dividends

In addition to a dominant position in the market, one other important element you don't want to ignore when you target any stock for a buy-and-hold investment is the company's commitment to paying dividends.

CN Rail has a solid track record on returning cash to its investors. During the past five years, its dividend has grown 16% CAGR. After hiking its payout by 18% this year, CN Rail now pays $0.53-a-share quarterly dividend, as the company benefits from strong demand of shipments from oil, coal, and grain sellers.

CN Rail's 1.8% annual dividend yield may not look attractive, 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.

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 look for when buy a stock that you don't want to sell. CN Rail certainly have these qualities.

Going forward, analysts don't expect that the company will lose that momentum. According to their average estimates, CN Rail will likely grow its profit 11% per year in the next five years, which means more cash for long-term investors in the form of bigger payouts.

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