Young Investors: 2 RRSP Picks to Buy Today and Own for 40 Years

Description

Canadians who are in the early parts of their careers might not be overly concerned with retirement planning, but time is the big advantage this crowd has over their older colleagues.

Putting small amounts of cash inside your RRSP on a regular basis might not appear to make much of a difference today, but the effort can take advantage of a powerful compounding process to turn a reasonably small initial portfolio into a significant nest egg if the funds have enough time to grow.

One way to make the money work for you is to buy dividend stocks and invest the distributions in new shares. The challenge is trying to decide which stocks to own.

In general, it is best to search for companies that are market leaders and have long-term growth opportunities to support rising earnings and higher dividend payments.

Let's take a look at **Canadian National Railway** (TSX:CNR)(NYSE:CNI) and **Nutrien** (TSX:NTR)(NYSE:NTR) to see why they might be interesting picks to get you started.

CN

CN is an essential part of the efficient workings of the Canadian and U.S. economies. The company transports raw materials and finished goods from the Pacific to the Atlantic across Canada and right down through the heart of the United States to the Gulf Coast. It is the only company in the industry that has rail lines connecting three ports, and this unique network gives CN a sustainable advantage that is unlikely to change any time soon.

Management continues to invest in new locomotives, additional rail cars, and infrastructure upgrades to ensure the company can keep up with rising demand and operate as efficiently as possible. The capital budget for 2019 is a record $3.9 billion.

CN generates significant free cash flow and has a long history of giving shareholders a piece of the profits. The company implements share-buyback programs when it sees an opportunity in the market to deploy cash effective through this means. CN has also raised the dividend by a compound annual rate of better than 16% in the past 20 years. The board increased the payout by 18% for 2019.

As economic activity increases in Canada and the United States, demand should continue to rise for CN's services.

Nutrien

Nutrien is the world's largest producer of fertilizers and has a global retail business that provides more than 500,000 farmers with seed and crop protection products.

The rebound in potash, nitrogen, and phosphate prices might just be in the early stages, and that means Nutrien investors could be in for an extended run of growing margins and rising free cash flow. The board raised the dividend by 7.5% for this year, and investors should see steady increases continue. Full-year 2019 earnings are expected to be well above last year's level.

As population growth eats up important farmland, the planet will need to generate more food from less space, and that means demand should be robust for crop nutrients.

The bottom line

CN and Nutrien should be solid buy-and-hold picks for young investors who want to begin building their RRSP portfolios. The companies are leaders in their respective industries and have attractive long-term opportunities for growth.

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