Dividend Growth Alert: 2 Fast Food Stocks to Fatten Up Your TFSA, RRSP, or RESP

Description

You always hear about fast food making folks fat, but what you seldom hear about is the potential for fast-food stocks to also fatten-up investment portfolios. Fast-food stocks are magnificent investments, not only because of their stable cash flows that lead to large and growing dividends, but because fast food itself is what economists like to call "inferior goods."

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In short, inferior goods tend to see muted demand as consumer income rises and higher demand as consumer income falls. Add higher levels of consumer debt into the equation and inferior goods are looking like great bets, even as aggregate wage growth increases in conjunction with GDP.

Now that you know what inferior goods are and why fast-food's looking like a solid option as we head into the late stages of a bull market with ridiculously high levels of consumer debt, I'd like to bring your attention to two hot fast-food stocks that'll outperform over the next three to five years.

Restaurant Brands International

First up, we have **Restaurant Brands International** (TSX:QSR)(NYSE:QSR), a rare triple threat that's firing on all cylinders. The name yields just shy of 3%, but what's more impressive that the upfront yield is the magnitude of dividend growth that's been clocked in since the stock's inception.

The company is a true definition of a cash cow. The huge amounts of cash have gone toward capital-light growth initiatives and back into the pockets of shareholders in the form of upped dividends. The parent company behind Burger King and its famous Whopper burger has served up its fair share of whopper-sized dividend hikes, and as management continues pulling all the right growth (and comps) levers, I expect more of the same moving forward.

The company may sell inferior goods, but the stock and the profits are incredibly superior to that of most businesses out there. The proof is in the pudding.

A&W Royalties Income Fund

Up next, we've got another fast food great. **A&W Royalties Income Fund** (TSX:AW.UN), as you may have guessed, is a royalty-based income fund (not a stock, technically) that pays shareholders in the form of a distribution.

At the time of writing, the "fund" sports a 4.3% yield and like Restaurant Brands, is well positioned to continue raising the bar as the managers at A&W continue finding ways to drive cash flow growth. The Burger Family, the Beyond Meat burger, Chubby Chicken, and many other "main attraction" menu options are getting butts into A&W chains. Moving forward, I suspect more of the same from one of the best fast food investments in Canada.

Foolish takeaway

If you're looking for a bit more income and stability, A&W is a solid bet. The mainstay menu items form a rock-solid foundation for the iconic fast-food firm. And if you're in it for pure growth, go with Restaurant Brands, which is taking the world by storm with its three legendary chains in Burger King, Tim Hortons, and Popeye's Louisiana Kitchen.

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Personally, I'd go with Restaurant Brands for the extra growth at today's valuations. Whether you're looking to beef-up your RRSP, TFSA, or RESP, you can't go wrong with either option.

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1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:QSR (Restaurant Brands International Inc.)

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