TFSA Investors: 2 Reliable Stocks With Growing Dividends

Description

The markets were getting ready to break out after a fairly decent start to earnings season. The party was cut short after the Fed signalled what's being deemed as a "one and done" after commentary from Fed chair Jay Powell that wasn't as dovish as the markets would have liked. Subsequently, President Trump is back with fresh tariffs on Chinese goods, causing the markets to surrender a chunk of the gains enjoyed in the earlier weeks.

If you're confused as to what you should be doing with excess cash that's sitting around in your TFSA, consider looking to dividend-growth stocks that will pay you a growing income stream as you take on the excessive amounts of volatility that will likely be in the cards as we inch closer to both the Canadian and U.S. elections.

Here are two rapid growers you can feel comfortable holding as the market waters become that much rougher.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) is one dividend-growth stock that TFSA investors should consider buying, holding, and adding to anytime the stock trades below its historical average levels.

CN Rail is economically sensitive but always ends up roaring out of the gate when it comes time for economic expansion. The company is an unmatched dividend-growth king that can support double-digit percentage dividend hikes because of the ample amounts of free cash flow it generates through good times and bad.

The company recently clocked in a solid earnings beat that featured an improvement to operating ratios over the first-quarter bump in the road. Other railways struggled with a weak freight market in the second quarter, but CN Rail bucked the trend. Despite the positive surprise, CN Rail was unable to sustain a rally higher, as the Fed and Trump took control of the trajectory of the broader market.

I'd treat the fresh tariffs and questionable Fed commentary as an opportunity to pick up one of the best Dividend Aristocrats out there.

Boyd Group Income Fund

Boyd Group (TSX:BYD.UN) is technically an income fund, but the main attraction to the security it is not the upfront yield; it's the outsized capital gains and distribution-growth potential.

For those unfamiliar with the name, it's an owner and operator of auto body repair shops across North America. The company's secret sauce to growing its top and bottom line at a rapid rate its ability to drive synergies through the acquisition of its smaller competitors.

Boyd does things more efficiently than most mom-and-pop auto repair shops, and given the market remains consolidated, Boyd enjoys a high growth ceiling and a predictable growth trajectory that only a firm within a boring industry could have.

The company has grown its top-line by over 26% annualized over the past five years, and while the stock is pricy at nearly 22 times EV/EBITDA and 32 times forward earnings, I think the name is worthy of a premium price tag, especially given it's been less volatile and more rewarding than the market indices.

Moreover, the payout ratio has fallen considerably in recent years, leaving ample room for a big dividend hike should the company accumulate more excess cash than it'd like.

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