2 Great Dividend-Growth Stocks for Investors Just Starting Their TFSAs

Description

Young investors just starting out with their Tax-Free Savings Accounts (TFSA) will almost unquestionably find themselves bombarded with information espousing the virtues of purchasing stock in dividend-paying companies.

Yet one of the common pitfalls of young investors who follow such an approach is focusing too much on how much a given dividend yield is paying today, as opposed to what that dividend may look like 10, 20, or even 30 years from now.

Instead, young investors may find that they'd be better served by making investments in companies that do follow a clearly outlined policy of returning regular dividends to their shareholders –companies that, rather than maximizing their current cash outlays, put that money to work back in the business itself where its able to be reinvested and compounded over time.

That's a strategy that should ultimately help lead to superior investment outperformance.

Flying under the radar, **Alimentation Couche-Tard** (TSX:ATD.B) has quietly become Canada's second-largest company by revenues and its 13th-largest by market capitalization.

In case the name Alimentation Couche-Tard doesn't exactly ring a bell for you, you might be more familiar with this company through its chain of Mac's or Circle K convenience store and gas bar locations.

Under strong leadership, ATD has been able to demonstrate a consistent and impressive track record of successfully integrating the acquisitions of smaller competitors, helping to lead it to a seven-fold increase in its dividend since 2011, equal to a compounded growth rate of 28% annually.

Having established itself now firmly in the Canadian market, management is now intent on going after the U.S. and Asian markets, which it still sees as representing solid value for continual and ongoing accretive acquisitions.

With the stock up over 1,159% since the start of 2010, this is unquestionably an investment that has a lot of momentum behind it.

Foolish readers may want to try and initiate or add to their positions on the dips, or alternatively consider the merits behind a simple dollar-cost averaging strategy, which may be able to help alleviate the risk of any market timing.

Boyd Group Income Fund (TSX:BYD.UN) is another under-the-radar Canadian growth stock with ambitious plans.

Boyd is a leading multi-shop collision repair operator within the highly fragmented North American market for auto collision and glass repairs.

Like Couche-Tard, Boyd's management has also identified a unique and potentially very lucrative growth strategy, whereby it seeks to acquire smaller, independently held competing operators and use its size, scale, and experience to leverage returns and tap into any available synergies.

Research presented by the company has suggested that the market for collision repair services is $38.6 billion annually in North America, the majority of which is currently still controlled by independently held one-off operators.

Management feels it can leverage its superior operational expertise to reduce the expenses at its acquired locations, affording it the ability to pay a shop's current owners an attractive exit multiple while also allowing room for shareholders to enjoy above-average returns over the long term.

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