

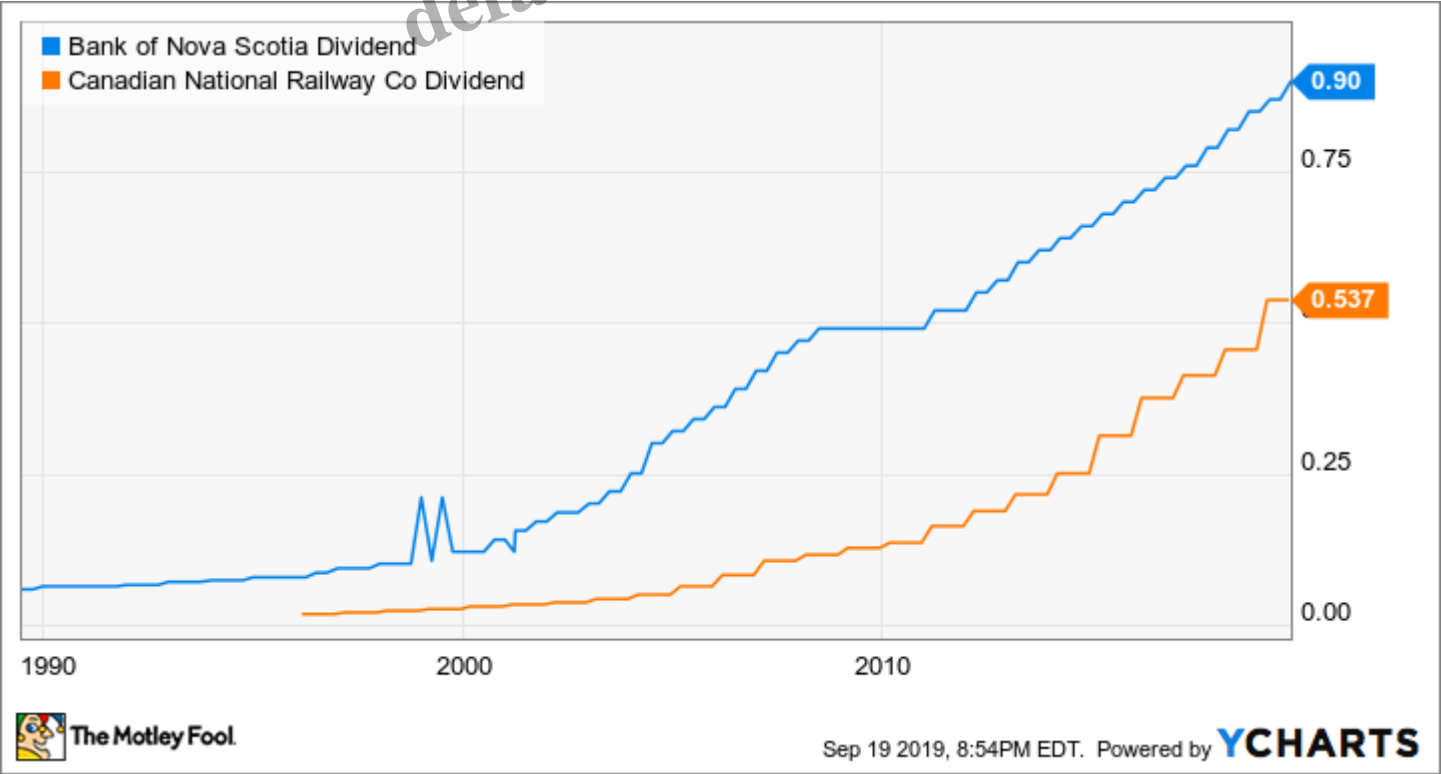


2 Great Income Stocks That Will Double Their Dividends

Description

Who doesn't love owning excellent dividend stocks and getting extra income? If you plan, you can even replace your job's income from your dividend income in the future because many quality businesses can grow while increasing their payouts.

If you're looking for [solid dividend stocks to buy and hold for a long time](#), here are two in different industries that can double their payouts in the years ahead.



Data by YCharts. Dividend history of Bank of Nova Scotia and Canadian National Railway.

Bank of Nova Scotia

Bank of Nova Scotia ([TSX:BNS](#))([NYSE:BNS](#)) is the third-largest bank in Canada and is a key component of the financial services sector. It's a fitting choice for conservative investors who are looking for current income and stable growth.

Scotiabank offers a juicy yield of 4.8%. Additionally, it provides massive long-term growth potential from its unique positioning in international markets.

Particularly, it has a focus on emerging markets, such as the Pacific Alliance countries, including Colombia, Chile, Peru, and Mexico. Not only do these markets have higher GDP growth than developed markets, but they also have a large population that doesn't have a bank account.

In the medium term, the bank is set to grow its earnings per share by about 5% per year. Along with the help of a bit of payout ratio expansion, BNS stock can support safe dividend growth of 5-6% per year over the medium term.

Today's buyers of BNS stock can double their income in about 13 years.



Canadian National Railway

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is the only transcontinental railway in North America. Its network spans Canada and mid-America, connecting three coasts: the Atlantic, the Pacific, and the Gulf of Mexico.

As a class I railroad, which offers integrated rail and other transportation services, including intermodal, trucking, freight forwarding, warehousing, and distribution, CN is easily one of the most stable businesses in the industrials sector. Specifically, its earnings are recession-resilient.

In 2018, CN generated more than \$14 billion of revenue with a high return on invested capital of 15.7%. Consequently, it cashed in \$4.3 billion of net income and \$2.5 billion of free cash flow.

Although CNR only yields 1.8%, the century-old business is not at all frugal in sharing profits with

shareholders. It has increased its dividends for 23 consecutive years with an impressive 10-year dividend growth rate of 14.7%. CN stock's most recent dividend increase of 18.1% is nothing short of amazing!

Going forward, the quality railroad is expected to grow earnings by about 11% per year. Therefore, the growth stock can reasonably grow the dividend by 10-13% annually.

Buyers of CN stock today can double their income in about six years.

A note on valuation

To increase your income and ultimately your total returns, aim to buy quality businesses when they're trading at below their intrinsic valuations. Between Scotiabank and CN, the former is a more [attractive buy](#) today.

Stay hungry. Stay Foolish.

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