



TFSA Growth: A Future Dividend Aristocrat to Buy and Hold Forever

Description

The Dividend Aristocrats are an exclusive club of stocks that have hiked their dividends through over 25 consecutive years. Through the dot-com bubble and the 2007-08 financial crisis these dividend growth kings have not only continued paying dividends to investors who held on, but they have also raised the dividend bar at a time when many other firms lowered or completely slashed theirs.

Indeed, buying and holding proven Dividend Aristocrats is a profitable long-term strategy to grow one's TFSA wealth. Like a fine wine, their dividends grow better with age, and the yield based on your invested principal stands to swell each year to eternity.

Imagine getting a double-digit percentage raise every single year for the rest of your life. With the top Dividend Aristocrats, it's possible.

Unfortunately, the secret is out on Dividend Aristocrats, as most investors are well aware of their robust and "growthy" cash flow streams that warrants their premium multiple.

While traits that allow Dividend Aristocrats to reward investors consistently over time are worthy of a premium, there is a particular class of stocks capable of growing dividends consistency (and generously) minus the premium price tag.

Enter the future Dividend Aristocrats — or stocks that would have likely been Dividend Aristocrats had they been publicly-traded entities for a long enough to prove themselves as such.

To spot a future Dividend Aristocrat, one must analyze not only a firm-under-question's long-term cash flow growth abilities, but also the defensive characteristics of the business that'll allow the firm to continue to maintain and grow its dividend through the worst of economic recessions.

Without further ado, here is one potential future Dividend Aristocrat worthy of a higher multiple today.

Enter **Restaurant Brands International** ([TSX:QSR](#))([NYSE:QSR](#)), a fast-food kingpin that's slowly but surely taking over the quick-serve restaurant scene one chain at a time.

The managers running the show are all about growth, whether through same-store sales growth (SSSG) initiatives or via expansion into new markets.

At this juncture, Restaurant Brands has its plate full with burgers (Burger King), donuts & coffee (Tim Hortons), and fried chicken ([Popeyes Louisiana Kitchen](#)), but if ever there's little to no room to expand (as in the case of **McDonald's**), the firm could easily scoop up another chain and repeat its proven model of driving comps and increasing store count.

Indeed, Restaurant Brands is a young cash cow capable of very generous (and frequent) dividend hikes. Just over a year ago, the company served investors with [a whopper of a dividend increase](#), more than doubling the dividend in one sitting.

While the massive over 100% dividend hike is a one-off, the move shows investors that it can balance investing in long-term growth and rewarding shareholders like few other firms thanks to Restaurant Brands' capital-light growth model that can be repeated indefinitely.

It's not just the massive dividend growth that leads me to believe that Restaurant Brands could be Canada's next big Dividend Aristocrat, however. As you may be aware, fast food is an inferior good, and inferior goods tend to sell well during times of economic hardship.

Due to an economic phenomenon called the substitution effect, consumers are more likely to ditch fine dining for eating in or eating at a fast-food joint to take it easy on one's wallet as cash becomes tight.

As such, Restaurant Brands will continue to rake in the cash with less volatility relative to most other firms out there. It's this cash stability through tough times that will allow Restaurant Brands to continue granting dividend raises while other firms are forced to axe theirs — and it's also why the stock is worthy of a permanent spot in your TFSA.

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Date

2025/07/05

Date Created

2019/10/30

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