This Dividend Stock Could Double Your TFSA Dollars

Description

There aren't many dividend stocks available in the market that you could stash in your Tax-Free Savings Account (TFSA) and then forget about. The point I want to make here is that if you're in it for the long haul, then you should pick stocks that gradually add to your wealth without you being worried about the daily market noise.

One way to achieve this goal is to stuff your TFSA with dividend-growth stocks. These are the companies that consistently raise their dividends. These regular payouts don't look substantial, but if you keep dividend-paying stocks in your TFSA portfolio over the long run and reinvest dividends by buying more shares, you will notice how quickly your portfolio grows by the power of compounding.

But that style of investing is good for investors who are conservative in nature and don't want to take too much risk. Retirees, for example, should add some quality dividend-growth stocks to their portfolios.

If you're ready to make this move, then here is a top dividend stock that could help accumulate substantial savings for you once you retire.

Canadian National Railway

Canadian National Railway (TSX:CNR)(NYSE:CNI) stock is one of my favourite picks from the Canadian dividend space. Over the past 10 years, CNR stock has delivered about 350% growth, including dividends, to long-term investors.

Trading at $125 a share, CNR stock is up about 25% in 2019. With an annual dividend yield of 1.83%, the company pays about $0.54 a share quarterly payout, which has grown about 17% per year during the past five years.

And I believe this journey will continue for the next 10 years because the company enjoys a unique competitive advantage in North American economy. CNR runs a 19,600-mile rail network that spans Canada and mid-America, connecting the Atlantic, the Pacific, and the Gulf of Mexico. This wide economic moat makes CNR a stock that has the power to defend its business, while continuing to pursue growth.

Another reason I like CNR stock is that it offers a great combination of growth and income. This combination is hard to come by, as the majority of income stocks have passed their growth phase; the main reason investors like them is to get a regular income stream.

But in the case of CN Rail, the network is still in the middle of its massive growth, triggered by a huge demand for its services. In the next phase of its growth plan, the company is planning major asset purchases to boost growth as part of its three-year new financial target that exceeds its earlier 10% earnings-per-share growth.

In the quarter that ended on Sept. 30, CN rail reported a better-than-expected profit thanks to higher freight rates. Excluding one-time items, the company earned $1.66 per share, beating the average analyst estimate of $1.62. The company's net income rose 5.4% to $1.20 billion, or $1.66 per share.

Bottom line

Trading at $125 a share and with a 12-month trailing price-to-earnings multiple of 20, CNR stock looks expensive. But I think investors will get a better entry point in the next three to six months.

Over the long run, however, its robust cash flows, dominant market position, and solid history of paying dividends are some of the qualities that make it a solid dividend stock to have in your TFSA.

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