TFSA Investors: 2 Dividend-Growth Stocks to Buy for the Long Term

Description

Stocks that raise their dividend payments on a regular basis are attractive investment options for investors who have Tax-Free Savings Accounts (TFSAs) for a couple of reasons.

The first is that in order to be able to continue to hike its payouts, a business needs to be fairly stable to begin with. Companies that are struggling won't be able to continue hiking their dividends over many years, because they'll need the money for their businesses, especially if they're bleeding cash.

The second reason is that as an investor, you're earning more in dividend income each year. It gives you an incentive to continue holding on to the stock. And even though your dividend income gets higher, inside of a TFSA, it's still not taxable.

Here are two dividend-growth stocks that you may want to consider buying and holding for decades.

Enbridge

Pipeline giant **Enbridge** (TSX:ENB)(NYSE:ENB) has increased its dividend payments for 26 consecutive years. On average, the company has been hiking its dividend payments by 10% per year. At that rate, it would take a little more than seven years for Enbridge's payouts to double in size.

And while investors may be hesitant to invest in the oil and gas industry, Enbridge's business is more stable and less impacted by the price of oil than other stocks are. Even though there may be a push to move away from fossil fuels, that could conceivably take decades to accomplish. In the meantime, oil still needs to be transported across the country.

Today, Enbridge stock yields 7.6%. Even if it didn't increase its dividend payments again, that would still be a great payout to have right now. Historically, it's also much higher than where the yield has been in the past:

ENB Dividend Yield data by YCharts.

Enbridge is one of the TSX's top stocks, and even though the COVID-19 pandemic has created challenges for many businesses, the company has still posted a profit of $2.3 billion over the trailing 12 months.

CN Rail

Another top Canadian stock for TFSA investors is **Canadian National Railway** (TSX:CNR)(NYSE:CNI). The railway operator doesn't pay as high of a yield as Enbridge does, but at 1.6%, it can still generate some stable and recurring cash flow. And it's also been raising its dividend payments. Five years ago, CN Rail was paying its shareholders a quarterly dividend of $0.3125 for the fourth quarter of 2015. Today, the quarterly dividend is $0.575 — 84% higher than it was back then. That averages out to a compounded annual growth rate of 13%.

The railway operator might not provide the high yield that Enbridge does today, but it offers a bit more stability to investors in return. As long as the economy's in good shape, its railways will be busy, which, in turn, should drive some strong results for CN. Over the past four quarters, CN has netted an impressive profit margin of 25%, posting a profit of $3.4 billion during that time.

What investors might miss here with dividend income they'll likely make up with in capital gains, as CN's soundly outperformed both the TSX and Enbridge over the past five years:

ENB data by YCharts.

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