2 TSX Dividend-Growth Stocks to Buy and Hold for Generations!

Description

The best investment holding period for dividend-growth stocks is forever, or, at least, a very, very long time.

In an era where “long term” is defined in a span of a few months, I think Foolish investors should resist the noise and look to buy shares of wonderful dividend-growth stocks at discounts to their intrinsic value range. Amid today’s market frenzy, people would rather speculate on meme stocks and cryptocurrencies like Dogecoin, which was originally created as a joke.

Don’t hike your risk. Hike your time horizon!

Sure, there may be bubbles like Bitcoin or Dogecoin floating around this market. At the same time, deep-value bargains are hiding in plain sight on the TSX. I think there’s never been a better time to be a stock picker.

As a DIY stock picker, you can filter out the severely overvalued potential bubbles and focus on loading up on the unloved value plays that are in the shadows, as most others gamble their money on penny stocks, cryptocurrencies, SPACs and all the sort. The frenzy may very well be a sideshow that’s distracting Canadian investors from what matters most: buying and holding pieces of great businesses and never selling.

Dividend-growth stocks age like fine wines. The longer you hold, the larger their dividends become, and the more incentive you’ll have to leave it alone through bouts of volatility. Many of today’s fasting-growing dividends are of stocks whose yield isn’t all that enticing to the yield-hungry crowd. People would rather take higher risks in a low-rate world by chasing “sexy” growth stocks or chasing yields of severely distressed dividend stocks.

Dividend-growth stocks for the extremely long term

In this piece, we’ll have a look at two discounted dividend-growth stocks that I think you should buy and hold for decades at a time. Their yields are unremarkable, but when held over the next 10, 20, or even 30 years, the yield based on your invested principal will continue growing, like a snowball rolling down a snow-covered hill. Such companies that can grow their dividends through recessions, depressions, crashes, and crises are what you'll want to hang on to for the long haul. Their payouts will swell in size such that you'll be setting your future self up for a nice passive-income stream.

Without further ado, consider railway kingpin **CN Rail** (TSX:CNR)(NYSE:CNI) and convenience store juggernaut **Alimentation Couche-Tard** (TSX:ATD.B), two low-yield, dividend-growth stocks that have more than tripled their dividends over the past decade, with more of the same expected over the next decade and beyond.

Today, CN and Couche stock sport incredibly unimpressive and unremarkable yields of 1.7% and 0.9%, respectively. You could triple or even quintuple of such yields today with beaten-down, +6%-yielding income stocks. So, why bother with such plays? You'll get dividend growth through the decades and the security of knowing your payout won't be axed even in the face of a crisis.

CN Rail stock has been rolling along, steadily appreciating over time, while holding its own and hiking its dividend through good times and bad. Similarly, Couche-Tard has raised its dividend at a high double-digit annualized rate, rewarding shareholders who have stood by it for the long haul.

TSX dividend growth in a nutshell

Over the last decade, CN Rail has grown its dividend by $0.65 per share to $2.30. A 1.5% yield would have grown to north of 5% if you'd held steady through the ups and downs. Similarly, Couche, a name not known for its dividend, has grown its dividend from $0.03 to over $0.20. That essentially turned a 0.5% yielder in 2011 into a +3% yielder today. And the longer said dividend-growth stocks are held, the greater their yields will swell without requiring you to open up your wallet to buy more shares.

With both CNR and ATD.B stock under pressure, I'd argue that now is as good a time as any to place a big bet if you intend to grow your wealth through generations.

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Date
2025/06/29
Date Created
2021/03/25
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