



2 Top Canadian Dividend Kings That Could Make You Rich

Description

You don't need to go YOLO on the latest meme stock on Reddit's WallStreetBets (WSB) to build true wealth. What you do need is the right temperament and the [investment horizon](#) to stay out of your own way after you've purchased shares of wonderful businesses whose intrinsic value grows over the long term. You see, investing is simpler than most beginners make it but more complex than most seasoned investors make it. In this piece, we'll look at three great Canadian dividend stocks that can help you [compound your wealth](#) over time.

Growing your wealth with the Dividend Kings

Dividend stocks, especially proven dividend growers like the Dividend Aristocrats and Dividend Kings, are a great way to build wealth, because market crash or not, you'll have something tangible at the end of the day to show for your patience. And as a dividend stock plunges in price, its dividend yield swells at a proportional magnitude, providing income investors with a huge incentive to buy on dips, corrections, crashes, and meltdowns.

Of course, you can't just back up the truck on any swollen dividend yield during times of turmoil. You've got to ensure the dividend health and its long-term growth trajectory. That's why Dividend Aristocrats and Kings rightfully deserve to trade at a premium to their peers.

In this piece, we'll have a closer look at Canadian Dividend Kings that aren't as pricy as they typically are. I think they're both buys right now and would encourage new investors to accumulate shares for their portfolios, rather than using the funds to speculate on Bitcoin or whatever sexy momentum play is making headlines for the day.

Without further ado, let's get right into them. Consider **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **CN Rail** ([TSX:CNR](#))([NYSE:CNI](#)): two Dividend Kings to buy and hold forever.

Royal Bank of Canada

Royal Bank of Canada deserves a gold medal after navigating through the coronavirus recession with far less damage than its banking peers. The bank's capital markets and wealth management businesses really came through when provisions for credit losses (PCLs) rose. With the worst of the pandemic now in the rear-view mirror, I think Royal Bank of Canada will really take off, as it inches closer to the rising-rate environment, with continued strength in capital markets.

Shares of the Dividend King are no longer dirt cheap, but they're still a great value for long-term investors seeking frequent dividend hikes and above-average capital appreciation. The stock trades at 3.5 times sales and two times book value — not lofty at all, given the calibre of Dividend King you're getting.

CN Rail

CN Rail is under considerable pressure following its US\$30 billion bid to acquire **Kansas City Southern**. **CP Rail** got one-upped by its top rival, and the premium price tag is causing CN Rail shareholders to hit the sell button, fuelling a vicious near-7% decline in CN stock.

I think the plunge in CN Rail is overblown beyond proportion. The Kansas City Southern deal may be expensive, but it still faces regulatory scrutiny. If the deal is blocked, CN Rail stock could bounce back very quickly. Even if CN ends up acquiring Kansas City Southern, it'll have one of the most extensive rail networks on the planet. And it's unlikely ever to be matched. CN will span the U.S., Canada, and Mexico and will profit profoundly from the new USMCA.

If the deal goes through, CN's barriers to entry will be sky-high, and its share of economic profits will grow, fuelling many more decades' worth of dividend growth.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RY (Royal Bank of Canada)

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