1 Top Canadian Dividend-Growth Stock to Buy and Hold for 20 Years

Description

There's a strong case for buying top Canadian dividend-growth stocks right now.

Those CPI (Consumer Price Index) numbers were truly awful, and investors should be keeping a close eye on inflation and rates. That said, don't count on the Fed changing their policies anytime soon. The 4.2% bounce was worrisome, but it's still too soon to tell if the Fed will be put between a rock and a hard place.

The Fed saw inflation coming, but they think it'll be transitory. Now that inflation is here, investors are playing it safe, opting for value and dividend growth over tech. The CPI number north of 4% was much higher than expected. Still, there's no need to panic or ditch your top stocks, as it's unlikely that we'll be doomed for the toxic combination of rate hikes and sub-optimal employment.

Canadian dividend-growth stocks could be the place to be!

In any case, I'd urge Canadian investors to consider picking up their favourite dividend-growth stocks if they're feeling a bit too much pain from this year's inflation-induced market sell-off.

Growth and tech stocks have soured, and some of the pricier, more speculative names could have much further to fall. That's why it may be wise to consider old-fashioned dividend-growth plays like **CN Rail** (TSX:CNR)(NYSE:CNI) for your next purchase.

As inflation withers away the dollar's purchasing power, it's dividend-growth stocks like these that will help you stay ahead. Each name is poised to hike its dividend at an above-average annual rate. Their dividend yields may not be bountiful today, but over the next 20 years, they will grow into a payout that can help you finance a pretty rich passive-income stream. And, of course, for best effects, you're going to want to stash such names in a TFSA (Tax-Free Savings Account), so your dividends won't be taxed by the CRA (Canada Revenue Agency).

CN Rail: Staying ahead of inflation

CN Rail is a prime example of a truly wonderful business. Warren Buffett loves the railways, and if **Berkshire Hathaway** didn't own BNSF (Burlington Northern Santa Fe) railroad, I'm sure he'd give the green light to the name. CN Rail has one of the widest moats on the planet. A competitor can't just start its own railway, even if it had billions to pour into building one. There are too many regulatory hurdles, and the barriers to entry are just too high for any firm to go after a slice of CN's economic profits.

With such a wide moat and incredible managers, you should expect to pay a premium price tag for the name. Little has changed about the business of railways over the last 20 years, and I expect the same thing for the next 20. I expect CN Rail to continue growing its earnings and dividend at a high single-digit rate. Anytime the stock pulls back, you should probably be a buyer, as CN Rail always finds a way to come roaring back in record time.

The stock currently sports a 1.8%-yielding dividend, which is poised to grow at a rate that'll trounce inflation every year. So, if you are worried about an unchecked rise in inflation or rate hikes, CN Rail stock is a great place to be right now while it's still fresh off of a correction.

What about the Canadian rail bidding war?

Investors may be worried that rich CN's US$33 billion bid for **Kansas City Southern** could hurt shareholder value. While expensive, I don't think the deal is as expensive as it could be, given the magnitude of the economic expansion that could be up ahead. Moreover, I think there's also a high chance that CN will lose out to CP, given regulatory hurdles. If CP wins the bidding war, I suspect CN stock will bounce back in a hurry, recovering all of the ground lost in the latest correction.

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