The 2 Best Dividend-Growth Stocks for TFSA Investors

Description

TFSA investors should strive to keep things simple and not be tempted by the lure of quick riches with risky assets like Bitcoin. To unlock the full power of tax-free compounding over the long term, one needs to simply buy shares of great dividend-growth companies and let them do their thing over the years. Undoubtedly, a great deal of patience is required to not get in the way of one's journey to a prosperous retirement.

While horrific news like that relating to the recent Omicron variant may cause one to sell or trim their stocks for fear of being on the receiving end of steep losses, the best course of action is to do nothing. At least until one is calm, cool and collected, ready to make investment decisions based on fundamentals, rather than panic, fear, or greed. It's hard to watch shares of a company you just purchased shares in nosedive out of the gate. Indeed, most stocks, especially high-quality blue chips, tend to recover over time, so although paper losses may rack up, it's important to remember that no true losses have been realized until one hits that Sell button.

In this piece, we'll have a look at two great dividend-growth stocks for TFSA investors to buy or watch going into the last month of 2021.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a Canadian midstream leader with a 7.2% dividend yield. The dividend was under a bit of pressure through the last several years of volatility, with the hailstorm going on in the oil patch further exacerbated by the COVID crisis. Through the tough times, Enbridge stayed true to its shareholders, not only keeping its dividend in one piece, but raising it when it was able to do so, pulling other levers to maintain financial health through trying times.

I've described Enbridge as a company whose managers are willing to swim to great lengths to keep its dividend promise. As conditions normalize (or become far better than usual), expect Enbridge to deliver in the way of both capital gains and dividend raises. As a fossil fuel play, shares are dirt cheap. However, it is worth noting that the firm is proactively investing in green initiatives to do its part to push for a sustainable future. For that reason, shares are a bargain for TFSA investors, including those who care a great deal about environmental impact.

The stock trades at 16.6 times trailing earnings — far too low a multiple given catalysts on the horizon and the capabilities of management through thick and thin.

CP Rail

CP Rail (TSX:CP)(NYSE:CP) is another well-run dividend-growth stock with a management team that knows how to produce ample value for long-term shareholders. Its CEO, Keith Creel didn't win the *Globe and Mail's* CEO of the Year for nothing. The man was able to scoop up **Kansas City Southern** without having to pay-up hand over fist, even as rival **CN Rail** stepped in, sweetening the pot. The man's discipline allowed CP to score one of the most significant mergers in Canada for the year. I think, over time, the CP-KSU tie-up will pay off big time, and the magnitude of dividend hikes as we advance could be enormous.

The stock trades at 18.9 times earnings, with a 0.9% dividend yield. That's not exactly a steal or a hefty yield, but for one's TFSA, I think the name can outpace the **TSX Index** by a huge margin over the next decade.

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