3 Stocks That Could Create Lasting Generational Wealth

Description

Are you looking to build lasting generational wealth? It's a worthy goal, but it takes a lot of time and discipline. First, you need to save money, then you need to invest it in a prudent way that minimizes losses. It's not a matter of throwing money into any stock that excites you: exciting, but low-quality stocks can cause losses. You need to save a lot of money *and* invest it into assets that will produce gains while minimizing risk. It's not an easy task. But if you invest in a combination of index funds and carefully chosen individual opportunities, you can do well.

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In this article, I will explore three stocks that have the potential to build lasting generational wealth.

CN Railway

Canadian National Railway (TSX:CNR) is a railroad stock that is well known for its financial soundness, economic moat and outsized role in North America's shipping industry.

First, CNR's financials are unmatched. It has a 0.72 debt-to-equity ratio, rising sales, and high profit margins. Basically, it's a very strong company.

Second, CNR has an economic moat, which means it has a strong competitive position. Canada only has two major railroad companies, so there isn't a lot of competition in the space, giving CNR some pricing power and leverage over customers.

Third and finally, CNR plays an outsized role in North America's shipping industry. It doesn't just ship goods in Canada, it also controls major routes down to the U.S., including one line that goes all the way to New Orleans. So, the Canadian National Railway is a vital component of North America's transportation infrastructure.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD) is a Canadian retail store/gas station company. It's best known in Canada for the Circle K chain, which is one of the biggest gas station chains in the country. It also owns various assets in the U.S. and Europe.

Alimentation scored a big win because of last year's high oil prices. The company collects royalties on fuel sold outside its stores; these royalties increased last year, because gasoline and diesel prices increased. This resulted in rising revenue and earnings for ATD.

One big positive thing about Alimentation Couche-Tard is its acquisition strategy. It spends a lot of money buying up companies and increasing its existing companies' market share, but it doesn't borrow a lot of money to do it. Rather, it aggressively re-invests its earnings. This strategy results in a low dividend yield, but also high total returns.

TD Bank

Toronto-Dominion Bank (TSX:TD) is one of my favourite Canadian bank stocks. It has a high dividend yield (about 4%), a large presence in the U.S. (generating about 33% of whole-company net income), and a large stake in U.S. brokerage giant **Charles Schwab.** This year, TD is working on buying out the U.S. Banks **First Horizon** and **Cowen**. These deals will add about $1 billion annually in net income when they close. The downside is that they will somewhat weaken the company's asset position. However, TD's capital ratio (capital divided by risk weighted assets) will remain nearly double what regulators require after the two deals close, so the bank looks reasonably safe.

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2. TSX:CNR (Canadian National Railway Company)
3. TSX:TD (The Toronto-Dominion Bank)

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