2 Dividend-Growth Stocks Every Millennial Should Consider for Their TFSA

Description

The investment profession continues to involve with each passing year, as does almost any other industry, for that matter.

However, in addition to the undeniable success that we've seen in recent years on the part of robo-advisors, ETF passive investing, and other fin-tech disruptions, one of the major breakthroughs among financial industry professionals in recent years has been the merits of a dividend-growth investing strategy — in particular, for younger investors with longer investment time horizons.

Historically, investors have tended to get grouped into either the "value" or "growth" style categories; however, recently, more and more research is suggesting that the optimal strategy for investors with multi-decade investment horizons is an approach that carefully balances the strengths of both stylistic disciplines.

For example, value investing has tended to focus on companies whose shares pay out to their investors high dividend yields, while growth investing has largely been hell-bent on a "growth-at-all-costs" mentality at the expense of virtually all meaningful financial metrics (particularly so over the past decade or so).

Yet evidence is emerging that supports the merits of investing in the shares of high-quality, defensible (note, that doesn't necessarily mean "defensive") companies that, while they pay a dividend, have the capacity available to meaningfully grow their dividends — sustainably — over time.

Two Canadian companies that fit this bill neatly are **Magna International** (TSX:MG)(NYSE:MGA) and **Molson Coors Canada** (TSX:TPX.B)(NYSE:TAP).

Magna is a leading North American auto parts manufacturer and supplier while Molson is one of the world's largest alcoholic beverage manufacturers and distributors.

Magna stock currently pays its shareholders a 2.88% annual dividend yield, and while that's actually slightly less than the TSX Index average of 3.12% as at the end of June, what's more significant is that Magna increased that dividend by 10.6% in March of earlier this year.

But thanks to some disciplined capital management on the part of the company's senior officers, MG stocks current payout ratio sits well below the 50% threshold, indicating that it still has ample runway left ahead of it in order to accommodate future dividend hikes.

Molson, meanwhile, is another company that is offering investors plenty of reason to believe in the prospects of significant and meaningful dividend increases for (hopefully) years to come.

Actually, Molson had suspended its policy of regular dividend increases a few years ago following the company's acquisition of the MillerCoors joint venture and Global Miller brand portfolio back in 2015 for $12 billion.

Rather than dedicating its available funds to increasing its dividend payout, management and the board of directors made the decision to maintain the current payout but use its available excess cash to pay down its outstanding financial obligations.

A few years removed, and with debts now in what management views to be reasonable levels, in August TPX's board of directors announced a major 35% increase to the current payout — a sure sign that this company means business as far as its shareholders' long-term interests are concerned.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:TAP (Molson Coors Beverage Company)
3. TSX:MG (Magna International Inc.)
4. TSX:TPX.B (Molson Coors Canada Inc.)

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