3 Safe Stocks for Your RRSP

Description

With the RRSP deadline drawing closer, investors across Canada are looking for safe investment options that can be counted on over the long term. After all, the most ideal RRSP investments are the ones that can be forgotten about until retirement.

The problem is that the TSX, with its focus on financials, energy and materials, tends to have very cyclical names. But there are exceptions, and three in particular are worth highlighting.

Enbridge: Critical infrastructure and stable income

Very few companies in Canada have a smoother earnings profile than pipeline and utility operator **Enbridge Inc** (TSX:ENB)(NYSE:ENB). Energy producers need the company's pipelines to move their product to market, allowing Enbridge to generate reliable, recurring income. And with oil sands output set to double to 4.5 million barrels per day by 2025, Enbridge's critical infrastructure should be in high demand for years to come.

The company has a long history of growing dividends, and hasn't missed a payment for 60 years. The stock currently yields 3%, but if the company's track record is any indication, the dividend has plenty of room to grow. Of course that dividend income does not get taxed inside an RRSP.

Metro: A well-run company in a stable industry

Even during the recession, Canadians still had to eat. And of all the food retailers in Canada, **Metro Inc** (TSX:MRU) stands out for its consistent track record. The company has posted a return on equity of at least 14% every year for the past 20 years. Over this same time period, Metro has increased its dividend every single year.

The Canadian grocery business is one of the safest in all of retailing. Established players with long histories tend to have the best locations, while newer rivals have trouble getting good real estate. **Wal-Mart** has a much smaller footprint in Canada than in the U.S., and is thus less of a factor. And selling groceries online has always been more of a struggle than a threat.

CN Rail: The widest moat

Successful investors are always talking about the importance of a sustainable competitive advantage, also referred to as a "moat". Without a moat, a company's profits are always at risk from competitive threats, both new and existing.

Railroad transport arguably has the widest moat of any industry. The cost of laying track down is cost-prohibitive, and trucking is far too expensive for long-haul routes. One railroader has consistently outperformed its peers in recent years: **Canadian National Railway** (TSX:CNR)(NYSE:CNI). CN is not only the most efficient railroader in North America, but also the only one with a track network that reaches all three coasts (west coast, east coast, and gulf coast), a significant advantage over the other railroads.

Foolish bottom line

It is unfortunate that so many of Canada’s largest companies are so prone to wild fluctuations, especially since RRSP holdings ideally are supposed to make it easy to sleep at night. At least the three names above certainly pass that test.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
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3. TSX:CNR (Canadian National Railway Company)
4. TSX:ENB (Enbridge Inc.)
5. TSX:MRU (Metro Inc.)

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