3 Dividend Stocks for Your RRSP: Telus Corporation, Suncor Energy Inc., and Royal Bank of Canada

Description

One of the biggest myths about registered retirement savings plans, or RRSPs, is that you should only keep fixed income investments in them.

The argument goes that because interest is highly taxed, you should keep fixed income investments inside registered accounts instead of stocks. But there's one flaw in this approach: it ignores the rate of return.

When yields were much higher, sheltering interest income made sense. However, with rates near all-time lows, you're not keeping much money from the revenue man by holding bonds inside your RRSP. In fact, you could save more money by holding equities in registered accounts instead.

Of course, everyone's tax situation is different. You should discuss this with a professional to determine what's best for you. But contrary to the old rule of thumb, sheltering your dividend stocks can be a smart strategy. So if the numbers make sense for you, here are three dividend stocks to stuff inside your RRSP.

1. Royal Bank of Canada

When I try to sell friends on the benefits of dividend growth investing, I like to point to the **Royal Bank of Canada** (TSX: RY)(NYSE: RY). Over the past 20 years, the company has raised its dividend at a 10% compounded annual clip. The past three years have been even better, with an annualized dividend growth rate of 12%.

If you had bought 100 shares of Royal at the start of 1995 and never made another purchase, you would have 400 shares today thanks to stock splits. What's more, the yield on your original investment would be more than 40%. Those numbers would look even better if you had enrolled in the company's dividend reinvestment plan.

It's really simple. We want to buy businesses that can deliver big dividend hikes. With many companies phasing out pension plans, a portfolio of dividend growth stocks like the Royal Bank can provide steady income in retirement.

2. Telus Corporation

Telus Corporation (TSX: T)(NYSE: TU) has paid a dividend every year since 1916. But I don't want you to think that this is some stodgy company. Telus is also one of the best dividend *growth* stocks in the country.

The latest bump was announced on November 6. The new quarterly dividend of 40 cents per share represents an increase of 11.1% year-over-year. And it's just getting started.

Last year, Telus pledged to hike its dividend twice a year through 2016. Of course, future dividend increases will depend on the company's earnings. But management would not have raised investors' hopes unless they were confident they could deliver.

3. Suncor Energy Inc.

When **Suncor Energy Inc** (TSX: SU)(NYSE: SU) CEO Steve Williams was asked about his main goal as head of the oil giant, he said he wanted to line shareholders' pockets with dividend cheques until they burst!

OK, maybe he didn't say that. But judging by his actions, that seems to be his intent. Since taking over at Suncor in 2011, he has more than doubled the size of the company's dividend and repurchased over 10% of its outstanding shares.

More distribution hikes are almost certainly on the way given Suncor's growing oil sands production. No wonder this stock has attracted the attention of Warren Buffett.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TU (TELUS)
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