Dividend Investors: 2 Reliable Stocks for Your RRSP

Description

The deadline for 2015 RRSP contributions is fast approaching, and investors are wondering which stocks are safe picks right now.

Here are the reasons why I think **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) are solid choices.

TD

TD is dominant force in Canadian banking, but its strong presence south of the border is the key reason investors should consider the stock right now.

Over the past decade TD has invested about $17 billion to build a powerful retail operation in the United States. The company now has nearly 1,300 branches running from Maine all the way down the east coast to Florida.

With the Canadian economy working its way through a rough patch, investors should look for stocks with strong international operations, especially ones that earn a significant part of their income in U.S. dollars. TD's U.S. retail operation delivered 23% of 2015 earnings, and its Ameritrade asset delivered another 4% of overall profits.

Investors are concerned the Canadian banks are going to take a big hit from the fallout in the energy sector. In the case of TD, shareholders shouldn't worry because the bank has the lowest energy exposure of the Big Five.

In fact, TD had just $3.8 billion of outstanding loans to oil and gas companies at the end of fiscal Q4 2015. That represents less than 1% of the total loan book.

Another concern for the banks is new competition from mobile-payment companies.

TD is investing heavily to ensure it remains competitive as consumers shift to digital banking. The company is building strategic partnerships with FinTech start-ups and allocating resources to move a greater part of its revenue generation on to the Internet and away from the branches.

Overall, TD looks like a solid pick. The bank has a fantastic history of dividend growth, and long-term shareholders of the stock are sitting on significant capital gains. TD currently pays a quarterly dividend of $0.51 per share that yields about 4.1%.

CN

CN is one of those companies investors can simply buy and forget about for decades, which makes it a great pick for an RRSP.

The company is regularly cited as the most efficient railway in North America, and management continues to find ways to make the operations even more productive.

The oil rout is hurting the company's energy-related segments, but the resulting crash in the loonie is proving to be beneficial for other business lines, such as forestry and automotive. This diversity in the revenue stream makes CN appealing when the Canadian economy is facing some headwinds.

Like TD, the company also benefits from a strong U.S. dollar because a healthy part of the CN's revenue originates south of the border.

Management does a great job of rewarding investors with dividend growth and share buybacks. The company raised the dividend payout by 25% in 2015, and another solid hike should be on the way this year. The current quarterly dividend of 31.25 cents per share yields about 1.7%.

CN spent $1.2 billion in the first nine months of 2015 to repurchase and cancel more than 16 million shares. This is good for the remaining investors because they are left with a larger slice of the pie.

As a long-term pick, CN is perfect for investors who don't want to lose sleep over their investments.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
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Author
aswalker