



3 RRSP Picks for Dividend-Growth Investors

Description

Mr. Market is finally giving Canadian investors a chance to buy discounted dividend-growth stocks right smack in the middle of RRSP season.

There is a wide selection of attractive names out there and some are offering very large yields, but investors should be careful swinging for the fence, even with some valuations approaching multi-year lows.

Here are the reasons why I think **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)), **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) look attractive in the current environment.

BCE

BCE holds a dominant position in a market with few serious competitors. That might not sit well with consumers who think their TV, phone, and Internet bills are too high, but it is a great situation for BCE's investors.

The company has broadened its reach in recent years through strategic acquisitions all along the media and telecom value chain. BCE now owns retail outlets, sports teams, a television network, specialty channels, radio stations, Internet sites, and an advertising company.

This is in addition to BCE's ever-expanding mobile and wireline networks.

The company is so well entrenched that most Canadians use a BCE product or service every week. Think about it. If you listen to the weather report, check your email, send a text, stream a video, watch the news, or catch a Leaf's game, you are very likely adding a bit of cash to the pockets of BCE's investors.

The stock has pulled back recently amid concerns about the upcoming changes to TV subscriptions. Consumers will soon have the option to start with a basic \$25 TV package and add additional channels on a pick-and-pay basis.

BCE's content is solid and I expect most subscribers will simply add channels up to the value of their current bills, so the selloff in the stock looks overdone.

The company raises its dividend on a regular basis and future increases should come in step with rising free cash flow. The current quarterly distribution of \$0.65 per share yields about 4.8%.

Bank of Montreal

Bank of Montreal is Canada's oldest bank and has paid its investors a dividend every year since 1829. That's a track record that RRSP investors like to see when searching for new investments.

The stock has sold off with the broader market as concerns build about the weakening Canadian economy. Bank of Montreal has managed to survive two world wars, the Great Depression and a number of other economic and financial disasters. The company is more than capable of riding out the current economic headwinds in Canada, especially given its balanced revenue stream and strong exposure to the U.S. market.

Investors who buy now can collect a safe 4.7% dividend yield and have a shot at some strong capital appreciation when the market recovers.

TransCanada

Most investors are avoiding any name connected to the energy sector, but not all companies have the same risks. TransCanada is not an oil and gas producer; it simply moves the product from the point of production to the customers and charges a fee for the service.

The stock has taken a hit over the past year because the market is worried about growth. President Obama rejected the company's Keystone XL project, and the massive Energy East pipeline still has some serious hurdles to overcome.

Those are valid concerns, but the market seems to be ignoring the fact that TransCanada has \$11 billion in other smaller projects that will be completed and in service by 2018. The company is also winning new contracts in Mexico and adding to its electricity generation fleet.

As new assets go in to service, revenues will increase and TransCanada will boost the dividend in step with the rise in free cash flow. The current distribution pays 4.7%. Once the energy sector starts to recover, investors could see some big upside in the stock. Until then, you get paid a nice dividend to wait.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:BMO (Bank of Montreal)
3. NYSE:TRP (Tc Energy)
4. TSX:BCE (BCE Inc.)
5. TSX:BMO (Bank Of Montreal)
6. TSX:TRP (TC Energy Corporation)

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