2 Safe Dividend-Growth Picks for Your RRSP

Description

The time has come to top up the RRSP for the 2015 tax year.

With the market going through a rough patch, many investors are looking for market-leading businesses with strong track records of dividend growth.

Here are the reasons why I think **Metro Inc.** (TSX:MRU) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) are solid choices right now.

Metro

Metro operates grocery stores and pharmacies in Ontario and Quebec.

The company recently reported fiscal Q1 2016 earnings of $139.8 million, up 24.3% over the same period last year. Total sales rose 4.3% to $2.96 billion and same-store sales increased 2.8%.

Management is confident the good times are going to continue and just raised the dividend to $0.14 per share. Investors shouldn't pay too much attention to the 1.4% yield because the company has increased the payout by 20% over the past 12 months and the stock is up about 190% in the past five years.

Metro is a good pick for uncertain economic times because it is a recession-resistant business. People still have to eat and take their medication regardless of the state of the economy. With brands that offer both discount and premium shopping experiences, Metro has the full spectrum covered.

BCE Inc.

BCE has transformed itself from a telecom company to a media and communications powerhouse.

The business now includes assets all along the value chain including sports teams, radio stations, a TV network, specialty channels, an advertising company, and retail outlets. These go hand in hand with the existing mobile and wireline networks to create a well-entrenched portfolio that is in a good position to dominate for decades.

With new changes coming to TV subscriptions, some investors are concerned that BCE might actually see revenues drop. I'm not convinced that will happen.

Beginning in March Canadians can choose a basic $25 TV package and then add channels on a pick-and-pay basis. While some viewers might try to lower their costs, I suspect most people will simply add the programs they want until they hit their previous bill. On the content side, there is a risk that some channels or shows will not survive the new system. BCE's specialty offerings are quite strong and should continue to see solid demand.

The company is investing heavily in its mobile and wireline networks and that should help protect its leadership position in a captive market with few serious competitors. Consumers might not like it, but shareholders are certainly not complaining.

The stock pays a quarterly dividend of $0.65 per share that yields a solid 4.6%. BCE is targeting free cash flow growth of 8-15%, so investors should see the distribution continue to increase. The company has raised the dividend 78% since 2008.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:MRU (Metro Inc.)

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