



## 4 Reasons to Put TransCanada Corporation in Your RRSP

### Description

Time is running out for investors to make their final RRSP contributions for the 2015 tax year.

Ideally, RRSP contributions are made on a monthly basis to minimize the stress of having to rush the decision at the last minute. This year, procrastinators are actually being rewarded because the market pullback is serving up a wide assortment of attractive dividend-growth stocks that are trading at very reasonable prices.

Here are the reasons why **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) looks like a solid choice right now.

### Diversified assets

TransCanada owns \$66 billion of key infrastructure assets located in Canada, the U.S., and Mexico. The portfolio includes pipelines as well as an electricity-generation business.

TransCanada's natural gas pipeline system is one of the largest natural gas networks on the continent and supplies approximately 20% of all the natural gas used in North America every day. The company also operates 368 billion cubic feet of natural gas storage capacity.

Natural gas continues to grow as a preferred energy source for home and business use. North America's vast resources are also driving investments into the liquefied natural gas market.

This all means that demand for TransCanada's gas pipelines should remain strong for decades.

Electricity generation is TransCanada's other business unit. Investors often ignore this segment, but the 20 facilities generate up to 11,800 megawatts of electricity, which is enough to power about 12 million homes. The assets kick off a significant amount of cash and TransCanada continues to make strategic acquisitions in the sector.

### Strong development opportunities

TransCanada's move into liquids pipelines has been a troubled one. President Obama rejected the northern leg of Keystone XL and Energy East is facing some difficulties in Canada.

Keystone might be on the shelf for a while, especially if the Democrats win the U.S. election next year, but the project isn't dead.

As for Energy East, I suspect the \$15.7 billion project will go ahead. The provinces are already signaling a renewed willingness to cooperate, and that could lead to a deal in the coming year. The market remains skeptical, and that's where the opportunity lies for new investors. Any news that indicates a go-ahead for Energy East would send TransCanada's stock soaring.

The mega-projects are getting the most of the media's attention, but investors should also focus on the smaller deals that are moving along very well. In fact, TransCanada has about \$11 billion in projects that will be completed and in service by 2018.

This is good news for investors because it means revenue and free cash flow should rise in the coming years.

### **Dividend growth**

TransCanada is a dividend machine. The company currently pays a quarterly distribution of \$0.52 per share that yields about 4.4%. Management plans to increase the payout by 8-10% per year through 2020, so new investors are looking at a healthy return even if the stock doesn't move.

### **Attractive valuation**

TransCanada currently trades at 20 times trailing earnings, which is a discount to its five-year average. The stock recently bounced, but investors still have a chance to pick it up at a fair price and collect a very safe dividend. If energy prices begin to recover or if Energy East gets the green light, this opportunity could quickly disappear.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:TRP (Tc Energy)
2. TSX:TRP (TC Energy Corporation)

### **Category**

1. Energy Stocks
2. Investing

### **Date**

2025/09/13

### **Date Created**

2016/02/03

Author  
aswalker

default watermark

default watermark