2 Top RRSP Picks for Gen X Investors

Description

Everyone in the investing game seems to be focused on seniors and millennials, but the mid-life crowd is also trying to put together a savings plan and nail down a secure retirement portfolio.

This group has less time to save than their younger colleagues and, in many cases, they have less money in the bank than their parents, but there is still an opportunity for the Guns N' Roses gang to rack up some solid savings.

In fact, many Gen Xers are still in their 40s and looking at a solid 20 years or more of work before they can finally put their feet up.

With this thought in mind, here are the reasons why I think Gen X investors should consider **Fortis Inc.** (TSX:FTS) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) for their RRSP portfolios.

Fortis

Fortis owns electricity generation and natural gas distribution assets in Canada, the U.S., and the Caribbean.

That doesn't sound very exciting, but a closer look at the firm indicates there is nothing boring about this stock.

The company just announced its second massive deal in the past two years as it expands its presence in the consolidating U.S. energy market. The US$11.3 billion purchase of **ITC Holdings Corp.** will make Fortis one of the top 15 North American public utilities.

The deal comes on the heels of the 2014 acquisition of Arizona-based UNS Energy.

Fortis has proven to be very successful at integrating large acquisitions, and the recent sell-off in the stock should be viewed as a good opportunity to buy.

The dividend has increased every year for more than four decades, and management plans to continue raising the payout at a healthy clip. The current distribution offers a yield of 4%.

A $10,000 investment in Fortis 20 years ago would now be worth $99,000 with the dividends reinvested.

CN

CN is one of those businesses you can simply buy and forget about for decades.

The company is a leader in an industry with limited competition and nearly insurmountable barriers to entry. In fact, the odds of anyone ever building a new railway along CN’s existing routes are pretty much nil.

CN is facing some economic headwinds right now, but profits continue to rise as management drives down costs and improves efficiency. The company reduced its operating ratio in Q4 2015 to 57.2%, down from 60.7% in the same period in 2014. A low operating ratio is preferred because it indicates the amount of revenue the company is using to run the business.

Net income jumped 11% in the fourth quarter despite lower demand for its services across most segments.

CN just raised its dividend by 20%, and investors have enjoyed a 17% average annual increase in the payout since 1996. The company kicks off a ton of free cash flow and has a very aggressive share-buyback program to complement its stellar dividend growth.

The U.S. and Canadian economies will continue to go through economic cycles, but long-term growth is the name of the game, and CN just chugs along for the ride.

A $10,000 investment in CN’s shares in 1996 would now be worth about $215,000 if the dividends were reinvested.

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1. Dividend Stocks
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POST TAG

1. Editor's Choice

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2. TSX:CNR (Canadian National Railway Company)
3. TSX:FTS (Fortis Inc.)

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