



Discounted Dividend Stocks for Your RRSP Today

Description

After filing the 2015 income tax report (that's due by May 2, 2016), investors will have more contribution room for their registered retirement savings plan (RRSP). Because what's inside an RRSP is compounded tax deferred, investors can enjoy not having to pay taxes until they withdraw from the account. Ideally, when it's time to withdraw, you'll be in a lower tax bracket, so you'll pay less tax on the RRSP income.

However, you should be careful about what you invest in an RRSP because if you realize any losses there, you won't be able to offset capital gains like you could in a non-registered account.

So, don't invest stocks that you expect to get short-term gains from in an RRSP. Instead, invest in dividend companies with strong financial profiles at discounted prices for long-term gains. In fact, the RRSP is the ideal place to hold U.S. companies that pay qualified dividends because there's no withholding tax on those dividends.

AbbVie Inc. ([NYSE:ABBV](#)) is a research-based biopharmaceutical company that focuses on oncology and immunology and has a presence in over 170 countries. AbbVie's number one drug is Humira with leading positions in gastroenterology, dermatology, and rheumatology. The drug generated 58% of the company's US\$22.8 billion revenue last year!

Another essential drug that AbbVie is developing is Imbruvica, a cancer-treating drug that is becoming a leader in hematologic oncology. On top of that, AbbVie is working on 20 new drugs that could potentially be launched through 2020. So, there's lots of growth potential for the company.

AbbVie has an S&P credit rating of A and a debt-to-cap ratio of 82%. Most importantly, at about US\$57, the shares are trading at a discount of about 11% to its normal multiple and has a decent 4% yield. If AbbVie trades at its normal multiple by the end of the year, it could reach US\$72 for a 26% price appreciation.

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is another discounted dividend stock. At about \$18, it is discounted by about 15% and has a decent yield of 4%. If Manulife trades at its normal multiple by the end of the year, it could reach \$23.80 for a 29% price appreciation. Manulife has an

S&P credit rating of A and a debt-to-cap ratio of 34%.

If you're looking to diversify outside Canada, Manulife is a good choice. At the end of 2015, only 34% of its assets were in Canada, while 47% were in the United States, 10% were in Asia, 5% were in Japan, and 4% were in Europe.

Conclusion

AbbVie and Manulife are financially strong companies with margins of safety of 10-15% compared to their normal multiples. And investors can get a safe yield of 4% from them today.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ABBV (AbbVie Inc.)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:MFC (Manulife Financial Corporation)

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