2 RRSP Picks for Long-Term Investors

Description

The RRSP is still a great vehicle for building a retirement portfolio, and investors with a buy-and-hold strategy want stocks they can safely own for decades.

Here are the reasons why I think Canadian investors should consider **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) right now.

TD

TD is very good at squeezing extra revenue out of its existing client base and offers a diverse, yet conservative revenue stream that should appeal to investors who want to minimize risk in their bank holdings.

The company gets most of its revenue from retail banking operations in Canada and the United States. This area of banking tends to be less risky than capital markets or wealth management activities because it is less affected by big moves in the global economy or drastic changes in equity markets.

The recent earnings results attest to the strength of the business model, even in a challenging environment. TD earned $2.2 billion in fiscal Q1 2016 and just raised the dividend by 8%.

Most people are aware of TD's strong presence in Canada, but the company actually has more branches in the United States. The American operation is attractive to investors because it provides a nice hedge against weakness in the Canadian economy while delivering a solid boost to earnings. Every dollar earned south of the border is currently worth CAD$1.30.

Bank investors are worried about oil and housing risks. TD's oil exposure represents less than 1% of the company's total loan book and the Canadian mortgage portfolio is more than capable of riding out a downturn in the housing market. Uninsured mortgages represent just 45% of the loans and the loan-to-value ratio is 59% on that component.

The stock is more expensive than some of its peers, but it's probably worth the premium given the lower risks.

TD pays a quarterly dividend of $0.55 per share that offers a yield of 4%.

Enbridge

Enbridge has been under pressure in the past year as investors have exited most names connected to the energy sector.

Producers are certainly feeling the effects of lower oil and gas prices, but the sell-off in Enbridge looks overdone.

Why?

Enbridge essentially operates as a tollbooth. It transports product from the producers to their customers and takes a fee for providing the service. As such, the price of the commodity has little direct impact on Enbridge's earnings.

An extended rout in the oil patch will certainly reduce the need for new infrastructure, but Enbridge has enough projects on the go to carry it through the current downturn. The company plans to complete $18 billion in new assets over the next three years, and that means revenue and cash flow should increase at a healthy clip.

This is good news for investors who should see the dividend increase by 8-10% per year through 2019.

The stock has recovered some of the losses, but still trades significantly below the 12-month high. Investors who buy now can pick up a solid 4.3% yield and simply wait for the energy sector to recover.

If you want a stock you can buy and sit on for the next 30 years, Enbridge is a good bet.

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1. Bank Stocks
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POST TAG

1. Editor's Choice

TICKERS GLOBAL

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