



U.S. Dividend Stocks for Your RRSP

Description

After filing your 2015 income tax report (that's due by May 2, 2016), you will have more contribution room for your registered retirement savings plan (RRSP). By holding conventional U.S. dividend stocks in your RRSP, you can enjoy no withholding tax on the foreign dividends.

This makes it attractive to invest high-yield U.S. value stocks in an RRSP. **AbbVie Inc.** ([NYSE:ABBV](#)), **General Motors Company** ([NYSE:GM](#)), and **Ford Motor Company** ([NYSE:F](#)) are examples of undervalued, high-yield dividend stocks.

AbbVie

AbbVie is a research-based biopharmaceutical company that focuses on immunology and oncology with a presence in more than 170 countries.

Last year AbbVie generated sales of US\$22.8 billion. However, its top drug, Humira, contributed 58% of those sales, which will be a concern if it starts losing its leading positions in gastroenterology, dermatology, or rheumatology.

That said, AbbVie looks like it can continue its growing-earnings trend for the time being. Its cancer-treating drug, Imbruvica, is becoming a leader in hematologic oncology, and its sales should help support AbbVie's revenue along with AbbVie's other drugs.

At under \$60, AbbVie trades at a forward multiple of 12, while its earnings per share (EPS) are expected to increase at an average rate of 15% per year. Its 3.8% yield is solid. Based on its 2016 EPS estimates and its quarterly dividend of US\$0.57 per share, its payout ratio is under 46%.

Automakers

General Motors continued to have a leading position in the U.S. last year with over 17% of market share, and it continues to serve customers in six continents. GM brands include Chevrolet, Buick, GMC, Cadillac, Opel, Vauxhall, Holden, Autobaojun, Wuling, and Faw Jiefang. The company is undervalued at under US\$30 per share with a multiple of about six and a yield of almost 5.1%.

Similarly, Ford is also cheap at under US\$13 per share with a multiple of about 6.6 and a yield of almost 4.7%. Both GM and Ford's payout ratios are about 30%, giving ample margin of safety for their high dividend yields.

Conclusion

Unless you have U.S. dollars lying around, it takes about CAD\$1.31 to exchange for US\$1. The historical norm is about CAD\$1.20 for US\$1, so investors today will be paying an extra 11%. As a result, investors should buy U.S. stocks that are at least 11% undervalued. AbbVie, GM, and Ford fit this criterion.

However, AbbVie has a stronger balance sheet with an S&P credit rating of A, while GM's is BBB- and Ford's is BBB. Ford has a stronger profile, and that's why it yields slightly lower and trades at a slightly higher multiple than GM.

If investors are uncomfortable holding companies with a B credit rating in an RRSP, they might consider holding them in a non-registered account instead. Please be reminded that value investing can require lots of patience because no one knows when the companies will trade at their intrinsic values.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ABBV (AbbVie Inc.)
2. NYSE:F (Ford Motor Company)
3. NYSE:GM (General Motors Company)

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