



## Should You Put TransCanada Corporation or Royal Bank of Canada in Your RRSP?

### Description

Canadian investors with self-directed RRSP accounts are constantly searching for top picks to add to their retirement holdings.

Let's take a look at **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) to see if one is a better option right now.

### TransCanada

TransCanada struggled through 2015 as falling oil prices and President Obama's rejection of the Keystone XL pipeline sent investors running for the exits. As a result, the stock fell heavily through the second half of last year.

The sell-off reached the point where bargain hunters decided to pile in, and that has pushed the stock higher in recent months. The easy money has been made, but more upside could be on the way.

Why?

The Keystone decision is certainly a disappointment, but TransCanada has \$13 billion in other projects under development, and the majority of the new assets will be completed and in service by 2018. That means revenue and cash flow should continue to increase at a healthy clip, and TransCanada plans to raise the dividend by 8-10% per year through 2020.

The company is also growing through acquisitions. TransCanada is buying U.S.-based **Columbia Pipeline Group Inc.** for US\$13 billion in a move that positions the business to meet pipeline demand in the Marcellus and Utica shale plays.

The Columbia deal also brings another portfolio of commercially secured development projects that will complement those already in place at TransCanada.

Keystone could be back on the table if the Republicans win this year's election, and I think the odds

are good that Energy East will eventually get built. Any positive news on either project would provide additional support to TransCanada's stock price.

TransCanada's dividend currently yields 4.4%.

## Royal Bank

Royal Bank continues to deliver stellar results despite the economic headwinds facing the Canadian banks.

The company relies heavily on its Canadian retail business for a significant part of its earnings, but strong wealth management, insurance, and capital markets operations balance out the revenue stream.

South of the border, Royal Bank is boosting its presence in the private and commercial banking space through the US\$5 billion acquisition of California-based City National. The deal gives Royal Bank a great platform to grow its U.S. operations, and investors should see solid results from the group in the coming years.

The oil rout is forcing the Canadian banks to increase loss provisions on energy loans, but Royal Bank's direct exposure to oil and gas companies is less than 2% of the total loan book.

Royal Bank pays a quarterly dividend of \$0.81 per share that yields 4.3%.

## Which should you buy?

Both stocks are top picks for long-term RRSP investors.

Royal Bank is likely a safer pick, but if you believe oil prices have bottomed out, TransCanada probably offers more upside at the moment, and the dividend-growth rate could outpace Royal Bank's in the next few years. If you have a contrarian style and only have the money to buy one, I would give TransCanada the edge today.

## CATEGORY

1. Bank Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TRP (Tc Energy)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TRP (TC Energy Corporation)

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## Date

2025/09/12

**Date Created**

2016/05/04

**Author**

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