2 Solid Dividend Stocks for Your RRSP

Description

Dividend-growth stocks are an important part of any RRSP portfolio.

The RRSP has a double benefit. It allows investors to reduce their taxable income today and provides a vehicle to invest savings for retirement without having to pay taxes on the gains until the money is needed.

When dividends are reinvested in new shares, the compounding effect can turn a small initial investment into a large nest egg over time.

Let's take a look at **Telus Corporation** (TSX:T)(NYSE:TU) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they are top picks.

Telus

Telus is Canada's fastest-growing national communications business. Part of the success is attributed to the company's customer-first strategy.

All of the Canadian media and communication players say they care about customers, but Telus walks the talk, and the proof is in the results.

The company consistently reports the lowest mobile churn rate in the industry and has booked 22 straight year-over-year quarterly increases in its blended average revenue per user.

Telus has avoided the temptation to plough billions into media assets, and that has freed up funds to invest in its world-class wireless and wireline networks. Management also does a great job of returning free cash flow to shareholders through an aggressive share-buyback plan and regular dividend increases.

The current quarterly payout offers a yield of 4.4% and Telus is forecasting dividend growth of 7-10% through 2019.

Investors should keep an eye on the Telus Health division. The group is already Canada's leading provider of secure digital solutions to medical professionals and insurance companies and is growing at an impressive pace.

Enbridge

Enbridge took a hit last year as investors dumped anything connected to the energy industry.

Less than 5% of the company's revenue is directly affected by changes in energy prices, so the sell-off looks overdone, but a near-term slowdown is nonetheless expected for new oil and gas transmission infrastructure.

Fortunately for investors, Enbridge has a large enough backlog to keep it busy until the energy sector recovers.

The company expects to complete $18 billion in new pipelines over the next three years. As these assets go into service, Enbridge should see revenue and cash flow increase enough to support annual dividend hikes of 8-10%.

Enbridge delivered Q1 2016 adjusted earnings of $0.76 per share, up significantly from the $0.56 per share it generated in the same period last year. Record throughput on the company's mainline system was responsible for the strong results.

Enbridge currently pays a quarterly dividend of $0.56 per share for a yield of 4.3%.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:TU (TELUS)
3. TSX:ENB (Enbridge Inc.)
4. TSX:T (TELUS)

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