



2 Top Dividend Stocks for Your RRSP

Description

Investing in your registered retirement savings plan (RRSP) is a great way to build a nest egg for your retirement. **Brookfield Infrastructure Partners L.P.** ([TSX:BIP.UN](#))([NYSE:BIP](#)) and **American Hotel Income Properties REIT LP** ([TSX:HOT.UN](#)) are two stocks you can count on for strong dividends.

Brookfield Infrastructure

Brookfield Infrastructure invests in a global portfolio of quality infrastructures in utilities, transport, energy, and communications.

There's a global need to maintain and expand infrastructure, which has significant capital requirements. Brookfield Infrastructure is there to choose the best-valued investments with risk-adjusted returns.

Brookfield Infrastructure's cash flow generation is well diversified across asset types.

For example, in the first quarter, from its Transport segment, it generated 21% of cash flows from rail, 11% from toll roads, and 5% from ports.

From its Utility segment, it generated 20% from regulated distribution, 10% from electricity transmission, and 9% from regulated terminals.

Brookfield Infrastructure earns about 91% of cash flows that are regulated or contracted. In fact, its cash flows are so predictable that the company anticipates average dividend growth to be 5-9% per year in the foreseeable future.

Since Brookfield Infrastructure's distributions can consist of interest income, foreign dividends, local dividends, eligible dividends, and capital gains, holding the shares in an RRSP will save you the hassle at tax-reporting time compared to holding them in a taxable, non-registered account where you'll need to file a T5013.

In the first quarter, less than two pennies of its distribution per share were U.S. dividends. So,

arguably, assuming only a tiny percentage of Brookfield Infrastructure's distribution continues to be U.S. dividends, some investors might opt to hold the shares in a TFSA for tax-free income with the knowledge that 15% of U.S. dividends are withheld and lost forever.

American Hotel

American Hotel is a Canadian limited partnership that invests in hotel properties primarily in the U.S.

It runs the largest and highest-quality chain of hotels that targets rail crew members and consists of 45 Oak Tree Inn Hotels in 22 states. It earns about 40% of its net operating income from serving the U.S. freight industry, which guarantees a meaningful portion of its revenue stream.

Additionally, it has a portfolio of 35 branded hotels with five franchise partners, including **Marriott International**, **Hilton Worldwide**, and **InterContinental Hotels**.

The stock has essentially gone nowhere in the last year as rail companies experience softer demands.

At about \$10 per unit, American Hotel is priced at about a 12% discount based on its normal multiple. It has a high distribution yield of almost 8.2% thanks to a strong U.S. dollar. With an adjusted funds from operations payout ratio of about 93.5% that's expected to go down to about 75% and a strong U.S. dollar, it should be able to maintain its distribution.

American Hotel is a qualified investment for RRSPs. To avoid withholding taxes on any U.S. dividends, holding it in an RRSP would be wise.

Conclusion

By investing \$10,000 in Brookfield Infrastructure or American Hotel today, investors can earn about \$520 and \$815 of annual income, respectively. Brookfield Infrastructure has the ability to grow its distribution by 5-9% per year going forward, while American Hotel is expected to maintain its distribution.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
3. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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