



## 3 Bargain Dividend Stocks for Your RRSP

### Description

U.S. dividends received in non-registered or tax-free savings accounts will experience a 15% withholding tax.

So, the registered retirement savings plan (RRSP) is the best account to buy and hold discounted dividend stocks such as **Wells Fargo & Co** ([NYSE:WFC](#)), **Amgen, Inc.** ([NASDAQ:AMGN](#)), and **American Hotel Income Properties REIT LP** ([TSX:HOT.UN](#)).

### Why is Wells Fargo a bargain today?

Wells Fargo is one of the largest banks in the U.S. The bank's share price has declined more than 18% from its 52-week high of US\$58 to below US\$47 per share.

Before the financial crisis occurred, Wells Fargo had a tendency to trade roughly at a multiple of 15. Assuming it can trade at that multiple again, Wells Fargo is fairly valued at US\$61 per share, implying the shares are discounted by 23%.

Assuming a more conservative multiple of 13.5, Wells Fargo's fair value is US\$55 per share, implying the quality shares are discounted by more than 14%.

No matter which multiple it could trade at in the future, today the bank has an S&P credit rating of A and offers a yield of 3.2% with a payout ratio of roughly 37%.

With a conservative payout ratio and a history of hiking its dividend every year since 2011, Wells Fargo should be able to continue raising its annual payout.

### Why is Amgen a bargain today?

Amgen was founded in 1980 and today it is a leading biotechnology firm. From 2007 to 2015, Amgen increased its earnings per share at a compounded annual growth rate of 11.7%.

In 2011 Amgen started paying an annualized payout of US\$1.12 per share. Since then that dividend

has more than tripled to US\$4 per share.

Amgen last hiked its dividend in the first quarter by 26.6%. Its payout ratio for this year is only expected to be about 36%. This means the company is still retaining roughly 64% of its earnings to grow the business.

At about US\$152 per share, Amgen trades at a multiple of 14.2, which makes it a good buy.

### Why is American Hotel a bargain today?

American Hotel owns a portfolio of 80 hotel properties and 7,096 guestrooms across 27 states in the U.S.

It has 45 hotels in 22 states, which primarily serve the freight-rail industry that is essential to the U.S. economy. For example, American Hotel has long-term relationships (26-30 years) with **Union Pacific**, **BNSF**, and **CSX**, so about 75% of its rail rooms are guaranteed, securing over 40% of its revenues.

Furthermore, it has 35 branded hotels with five franchise partners, including **Hilton** and **Marriott**.

American Hotel has been trading sideways, while its funds from operations per unit have been increasing since 2013. So, there's a margin of safety for its shares today.

At \$10.35 per unit, American Hotel yields almost 8.2%. In the first quarter, its payout ratio was 93.5%. It should be able to maintain its distribution.

Since American Hotel's distribution can consist of U.S. dividends, interested investors should hold it in an RRSP to avoid any withholding taxes on the distribution.

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:WFC (Wells Fargo)
2. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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