RRSP Investors: 2 Top Dividend-Growth Stocks to Buy and Hold for Decades

Description

Canadians used to rely on generous company pensions to finance their retirement years, but companies are scaling back pension benefits, and employees are increasingly responsible for their own retirement planning.

One way to boost savings is to buy first-rate dividend-growth stocks inside your RRSP and reinvest the dividends into new shares. This sets off a powerful compounding process that can turn a reasonably small initial investment into a sizeable nest egg over time.

Here are the reasons why **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) are solid picks.

Enbridge

Enbridge took a hit last year as investors started to worry about the effects of the oil rout on demand for new pipeline infrastructure.

In the short term the concern is certainly valid, but Enbridge has a large backlog of projects to keep it busy until the energy sector recovers. In fact, the company expects to complete $18 billion in new infrastructure over the next three years.

As the new assets go into service, revenue and cash flow should increase enough to support annual dividend increases of at least 8%. Enbridge has raised the payout every year for more than two decades, so investors should feel confident the trend will continue.

Energy companies might be clawing back expansion plans, but they are still producing at a healthy clip, and Enbridge is seeing strong throughput on its main infrastructure despite the drop in oil prices.

This is an important fact for investors to consider. Enbridge isn't a producer; it simply transports oil, gas, and gas liquids from the point of production to the end user and charges a fee. As such, the company says volatility in commodity prices directly impacts less than 5% of the company's revenue.

Enbridge currently offers a dividend yield of 4%.

BCE

BCE continues to solidify its dominant position in the Canadian market.

The company is in the process of buying **Manitoba Telecom Services** for $3.9 billion in a deal that will provide the company with a great launch pad to expand aggressively into western Canada.

Some analysts think the deal could be blocked by regulators, but BCE has already negotiated a deal to offload part of the MTS wireless business to **Telus** and is committing at least $1 billion in new infrastructure investment in Manitoba over the next five years.

The MTS network requires heavy investment to deliver better internet connections and broader wireless coverage. As a result, I think the deal will go through.

BCE is investing billions in network expansion across the country, but it still kicks off enough free cash flow to give investors a nice dividend every three months. The current payout offers an attractive 4.6% yield, and investors should see the distribution continue to grow every year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:ENB (Enbridge Inc.)

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Date
2025/09/22
Date Created
2016/06/17
Author
aswalker