



Keep it Simple: Get Reliable Dividends in Your RRSP

Description

Investing can't be simpler than getting dividends in a tax-advantaged account. Stable, established companies share profits with shareholders by paying dividends, which traditionally come from earnings.

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) pays a quarterly dividend of \$0.46 per share. That equates to an annual payout of \$1.84 per share.

So, if you buy 100 shares at \$41.30 per share for a total cost of \$4,130 (excluding trading fees), you'd get \$184 of annual income.

Telus is expected to earn about \$2.65 per share this year. If so, its payout ratio would be 69.4%. This means the company is paying out about 70% of its earnings and retaining roughly 30% to grow the business.

Telus anticipates it can continue to hike its dividend per share by 7-10% per year in the next couple of years, even though its earnings-per-share growth is expected to be about 6% per year because the company tends to buy back its shares.

Brookfield Infrastructure Partners L.P. ([TSX:BIP.UN](#))([NYSE:BIP](#)) is one of my favourite companies because it is a diversified, stable utility with quality, global infrastructure assets that generate stable cash flows to support its distribution.

Brookfield Infrastructure offers a strong yield of 5.2%. However, it doesn't pay out eligible dividends (that are favourably taxed if held in non-registered accounts). Instead, its distribution can consist of dividends, interests, other income, and return of capital.

So, to eliminate the hassle at tax-reporting time, it's best to hold Brookfield Infrastructure in an RRSP. Additionally, by holding in an RRSP, unitholders won't get the 15% withholding tax on the U.S. dividend portion of its distribution.

Brookfield Infrastructure pays a quarterly distribution of US\$0.57 per unit, equating an annual payout of US\$2.28 per unit.

So, if you buy 100 shares at \$56.66 per share for a total cost of \$5,666 (excluding trading fees), you'd get US\$228 of annual income. However, you should note that if your account doesn't hold U.S. currency, the distributions will convert to the Canadian currency and the income you receive will fluctuate with the foreign exchange rate between the U.S. dollar and the Canadian dollar.

Brookfield Infrastructure aims to hike its distribution per share by 5-9% per year in the foreseeable future.

Conclusion

Regardless of whether you decide to invest in a company such as Telus, which pays an eligible dividend, or a business such as Brookfield Infrastructure, which pays a distribution, investing for income in your RRSP helps keep investing simple.

First, you'll be getting income every three months from these companies. Second, you don't have to report this income to the taxman because they're sheltered in your RRSP. Only when you withdraw funds from your RRSP do you have to report the income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:TU (TELUS)
3. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
4. TSX:T (TELUS)

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