



Is Royal Bank of Canada or TransCanada Corporation a Better RRSP Pick?

Description

Canadian investors are searching for top stocks to add to their RRSP portfolios.

Let's take a look at **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) and **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) to see if one is a better bet right now.

Royal Bank

Royal Bank is a profit machine. The company earned nearly \$10 billion in 2015 and is on pace to meet or exceed that milestone this year. Net income for fiscal Q2 2016 came in at \$2.5 billion, up 3% year over year.

The results are impressive given the headwinds facing the financial sector, and Royal Bank's diversified revenue stream is a big reason for the success.

The company relies on personal and commercial banking to generate roughly half of its earnings, but strong capital markets, wealth management, and insurance operations are also in the mix.

Royal Bank recently made a big move into the United States with its US\$5 billion deal to buy City National, a private and commercial bank based in California. The acquisition is already contributing to Royal Bank's wealth management results, and investors could see more growth south of the border in the coming years.

The stock has a long track record of dividend growth and pays a quarterly distribution of \$0.81 per share that yields 4%.

TransCanada

TransCanada took a hit last year as falling oil prices and President Obama's rejection of the Keystone XL pipeline sent investors running for the exits.

The sell-off went way overboard, and bargain hunters who bought in early December are now sitting on

50% gains.

What's causing the rally?

The company expects to complete \$13 billion in new projects by 2019. As those assets go into service, revenue and cash flow should increase enough to support annual dividend growth of at least 8% for the next three or four years.

TransCanada is also growing through acquisitions. The company is buying **Columbia Pipeline Group** for US\$13 billion in a deal that adds strong assets in the attractive Marcellus and Utica shale formations.

Keystone could be back in play if the Republicans win the election this year, and the massive Energy East project in Canada is slowly moving in the right direction.

TransCanada currently offers a dividend yield of 3.7%.

Which should you buy?

Both stocks are solid long-term holdings for any RRSP portfolio. A few months ago, I would have said TransCanada is the way to go, but the strong rally has pushed the stock up to a new all-time high, so I would say it's a coin toss between the two names at this point.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TRP (Tc Energy)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TRP (TC Energy Corporation)

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Tags

1. Editor's Choice

Date

2025/09/13

Date Created

2016/07/15

Author

aswalker

default watermark

default watermark