



2 Solid Dividend Stocks for Your RRSP Today

Description

Registered Retirement Savings Accounts (RRSPs) are great for investing for your retirement because what's earned inside remains tax free until it's withdrawn.

Furthermore, contributing to RRSPs reduces your income taxes for the tax year, so the higher tax bracket you're at, the more taxes you'll save when you contribute to your RRSPs.

Here are two solid dividend companies to consider for your RRSP.

Brookfield Renewable Partners LP ([TSX:BEP.UN](#))([NYSE:BEP](#)) invests in and operates a portfolio of quality renewable-power assets with a capacity of about 10,400 megawatts.

Brookfield Renewable's portfolio primarily consists of hydroelectric generation (87%) that's complemented by wind generation (12%). It generates 65% of its cash flows from North America, 20% from Brazil, 10% from Colombia, and 5% from Europe.

Brookfield Renewable has an investment-grade balance sheet and generates about 90% of long-term contracted cash flows with inflation-linked escalations, which support a stable distribution yield of about 5.8%.

Since 2011 Brookfield Renewable has grown its distribution at an annualized rate of 6.5%. Its distribution per share is 7.2% higher than it was a year ago. Going forward, the company plans to continue growing its distribution by 5-9% per year. Also, it targets long-term total returns of 12-15%.

RRSPs are great for investing in U.S. dividend stocks because there is no 15% withholding tax on U.S. dividends when they're received in RRSPs.

Wells Fargo & Co ([NYSE:WFC](#)) has been in business for more than 160 years. It has become one of the biggest banks in the United States and the second-largest holding in Warren Buffett's **Berkshire Hathaway**. In fact, he owns about 10% of the company.

At about US\$48 per share, Wells Fargo trades at about 11.7 times earnings. Its normal long-term

multiple is 13.7. It traded at a multiple of 15 before the financial crisis. This multiple range implies the shares are discounted by 14-21%.

Wells Fargo has hiked its dividend for six consecutive years. Today it offers a quarterly dividend of US\$0.38 per share, equating to an annualized dividend of US\$1.52 per share and a yield of 3.2%. Its payout ratio is only about 38%, so there's a big margin of safety for its dividend.

Additionally, its estimated earnings per share growth in the next three to five years is about 7%. The growth is likely to push its shares and dividends steadily higher over time.

Conclusion

Build a nest egg in your RRSP today without the hindrance of taxes. If you're looking for an above-average income with growth potential, consider Brookfield Renewable today. A \$10,000 investment generates annual income of about \$580.

Wells Fargo is also a solid choice for a 3.2% yield today. A \$10,000 investment generates annual income of about \$384 using a conservative exchange rate of US\$1 to CAD\$1.20.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:WFC (Wells Fargo)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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