



## RRSP Investors: 2 Dividend-Growth Stocks I'd Buy Today With an Extra \$15,000

### Description

Once in a while, investors find themselves with a bit of extra cash.

The windfall could be from a tax refund, a bonus at work, or simply the result of a repositioning of the portfolio.

Whatever the reason, one popular way to invest some found money is to top up the RRSP with dividend-growth stocks.

Let's take a look at **Canadian National Railway Company** ([TSX:CNR](#))([NYSE:CNI](#)) and **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) to see why they might be attractive picks.

### CN

CN is the only railway company in Canada and the U.S. that can offer access to three coasts, which means it has a competitive advantage that is not easily erased.

In fact, the odds are pretty much nil that another company could build tracks along the same routes.

The advantage is a powerful one, but CN doesn't sit back and rely on the wide moat. Management is constantly finding ways to make the railway more efficient, and CN is broadly viewed as the best-run business in the industry.

As a result, the company continues to generate strong results even as the industry works its way through a tough part of the economic cycle. Earnings for Q1 2016 came in at \$792 million, up 13% compared with the same period last year.

Revenue actually fell 4%, but CN's operating ratio improved 6.8 points in the quarter on a year-over-year basis. This metric is important because it indicates the operating cost as a percentage of revenue.

CN is also getting a nice boost from the American dollar. The company generates significant income south of the border and each dollar of profit in the U.S. now converts to roughly CAD\$1.30.

Management raised the dividend by 20% earlier this year, and investors have enjoyed steady distribution growth for decades. The current payout offers a yield of 1.8%.

## **BCE**

BCE has transformed itself from a telephone service provider to a media and communications giant.

The stock has long been a favourite among conservative dividend investors, and the move into the media space initially had old-school shareholders worried, but the world is changing and BCE is keeping up with the times.

BCE continues to invest in its state-of-the-art wireless and wireline networks. The company's Fibe TV offering is being well received and the fibre-to-the-home services help defend against resellers who try to compete via the old DSL lines.

BCE has expanded its dominance in recent years through strategic acquisitions, and that trend isn't slowing down. The company is currently in the process of acquiring **Manitoba Telecom Services** for \$3.9 billion.

The addition of MTS gives BCE a great platform to push further west in its quest to remain the country's top communications provider.

Analysts say the telecom stocks are getting too expensive. Based on historical pricing that is certainly the case, so investors have to be careful.

However, interest rates are at record lows and unlikely to revert back to long-term averages anytime soon. That should help support the high valuations for BCE and its peers, especially with the dividends yields being so robust.

BCE raises its distribution every year and currently offers a yield of 4.3%.

## **Which should you buy?**

Both stocks are solid long-term holdings for an RRSP portfolio. Last month I would have given the nod to CN, but the railway's stock has since rallied to the point where I would say it's a coin toss between the two names.

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:BCE (BCE Inc.)
2. NYSE:CNI (Canadian National Railway Company)

3. TSX:BCE (BCE Inc.)
4. TSX:CNR (Canadian National Railway Company)

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