

2 Great Dividend-Growth Stocks for Your RRSP

Description

Opening and contributing to a Registered Retirement Savings Plan (RRSP) is a great way to set money aside for retirement, and deductible contributions can help reduce your taxes. Dividend-growth stocks are ideal investment options for RRSPs, so let's take a closer look at two that you could buy today.

1. Transcontinental Inc.

Transcontinental Inc. ([TSX:TCL.A](#)) is Canada's largest printer. It provides a wide range of printed products, such as flyers and inserts, newspapers, magazines, marketing products, books, in-store signage, and carton packaging to large corporate customers across North America. It's also one of Canada's leading providers of local media solutions, interactive marketing products, business and educational publications, and flexible packaging solutions.

Transcontinental currently pays a quarterly dividend of \$0.185 per share, representing \$0.74 per share on an annualized basis, which gives its stock a yield of about 3.9% at today's levels. This yield is very safe when you consider that its free cash flow totaled \$98.8 million and its dividend payments totaled \$27.6 million in its six-month period ended on April 30, resulting in a very low payout ratio of 27.9%.

Investors must also note that Transcontinental's two dividend hikes since the start of 2015, including its 6.3% hike in March 2015 and its 8.8% hike in March of this year, have it on pace for 2016 to mark the 15th consecutive year in which it has raised its annual dividend payment, and its strong generation of cash flows, ongoing acquisition activity, and sound financial position could allow this streak to continue going forward.

2. Jean Coutu Group PJC Inc.

Jean Coutu Group PJC Inc. (TSX:PJC.A) is one of Canada's largest franchisors of pharmacies with a network of 420 stores located across Quebec, New Brunswick, and Ontario under the banners of PJC Jean Coutu, PJC Linique, PJC Sante, and PJC Sante Beaute. It also owns Pro Doc Ltd., a manufacturer of generic drugs.

Jean Coutu currently pays a quarterly dividend of \$0.12 per share, representing \$0.48 per share on an annualized basis, which gives its stock a yield of about 2.5% at today's levels. This yield is very safe when you consider that its free cash flow totaled \$37.9 million and its dividend payments totaled \$22.2 million in its three-month period ended on May 28, resulting in a sound payout ratio of 58.6%.

Investors must also note that Jean Coutu's 9.1% dividend hike in April has it on pace for fiscal 2017 to mark the 10th consecutive fiscal year in which it has raised its annual dividend payment, and its strong operational performance, asset-light business model, and ample liquidity could allow this streak to continue for the foreseeable future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TCL.A (Transcontinental Inc.)
2. TSX:TLRY (Aphria)

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