



Should Enbridge Inc. or Bank of Montreal Be in Your RRSP?

Description

Canadians are searching for top dividend stocks to help them meet their savings goals for retirement.

Let's take a look at **Enbridge Inc.** ([TSX:ENB](#))([NYSE:ENB](#)) and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) to see if one deserves to be in your portfolio.

Enbridge

Enbridge took a hit last year as investors bailed out of any stock connected to the broader energy sector.

The sell-off was warranted for oil producers, but Enbridge doesn't actually pull the stuff out of the ground. It simply transports oil and gas liquids from the point of production to the end user and charges a fee for providing the service.

To put things into perspective, less than 5% of Enbridge's revenue is directly impacted by changes in the price of oil.

Some analysts are concerned about a slowdown in demand for new infrastructure. This is certainly valid in the near term, but Enbridge has a solid backlog of projects on the go to keep it busy while the oil industry works through the current crisis.

In fact, the company has \$26 billion in capital projects under development. As the new assets are completed and go into service, cash flow should increase enough to support dividend growth of at least 8% per year in the medium term.

Enbridge recently raised its quarterly dividend to \$0.53 per share. That's good for a yield of 3.9% today.

Bank of Montreal

Investors often overlook Canada's oldest bank in favour of its larger peers, but Bank of Montreal probably deserves more respect.

Why?

The bank has a balanced revenue stream with strong capital markets, wealth management, and retail operations.

The Canadian retail banking division is the largest, but Bank of Montreal also has a significant presence in the United States, with more than 500 branches and 14,500 employees serving three million customers. The U.S. exposure provides investors with a hedge against tough times in Canada as well as an opportunity to benefit from the strong American dollar.

Adjusted net income from the U.S. group came in at \$279 million for fiscal Q2 2016, up 27% from the same period last year.

The recent addition of GE Capital's transport finance group strengthens the commercial side of the U.S. operation, and investors should see meaningful contributions from the new business in the coming years.

Bank of Montreal has paid a dividend every year since 1829 and just raised the quarterly distribution. Investors who buy today will pick up a yield of 4.1%.

Is one a better bet?

Both stocks are solid RRSP holdings. If you only have the cash to buy one, I would pick Enbridge today. The pipeline giant will likely provide better dividend growth in the medium term, and investors should see more upside in the stock as oil prices recover.

CATEGORY

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1. NYSE:BMO (Bank of Montreal)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BMO (Bank Of Montreal)
4. TSX:ENB (Enbridge Inc.)

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