2 Industry Leaders With Yields of 3-6% to Add to Your RRSP

Description

As history has shown, owning a portfolio of dividend-paying stocks is the best way to build wealth over the long term. It's for this reason that dividend-paying stocks should be the core holdings in your Registered Retirement Savings Plan (RRSP).

Let's take a closer look at **Transcontinental Inc.** (TSX:TCL.A) and **Extendicare Inc.** (TSX:EXE) to see why you should consider adding them to your RRSP today.

Transcontinental Inc.

Transcontinental is Canada's largest printer and one of its leading providers of proximity media solutions. It's the country's largest printer of retail flyers and its largest publisher of French-language educational books, one of its leading printers of newspapers and magazines, the leading distributor of flyers in Quebec and the Atlantic provinces, and the largest local and regional newspaper publisher in eastern Canada. The company also has a growing presence in flexible packaging and digital media.

Even though we are in an increasingly digital world, the demand for printing services has remained strong, especially in the retail industry, where about 50% of Transcontinental's revenues come from. In fact, a study by BrandSpark International that was commissioned by Transcontinental revealed that 84% of shoppers read printed flyers and 73% of millennials read printed flyers, while only 9% of shoppers use digital flyers and apps exclusively.

The statistics above paired with Transcontinental's very strong relationships with some of Canada's largest retailers, including **Loblaw**, **Metro**, Sobeys, **Canadian Tire**, **The Home Depot**, and **Walmart**, make it the best way to invest in the printing industry today.

Transcontinental pays a quarterly dividend of $0.185 per share, representing $0.74 per share on an annualized basis, giving its stock a high yield of about 3.9%. Its dividend is easily confirmed as being safe when you consider that its adjusted net earnings totaled $75.6 million and its dividend payments totaled just $27.6 million in the first half of fiscal 2016, resulting in a conservative 36.5% payout ratio.

On top of having a high yield, Transcontinental has consistently grown its dividend. It has raised its annual dividend payment for 14 consecutive years, and its recent hikes, including its 8.8% hike in March, have it on pace for fiscal 2016 to mark the 15th consecutive year with an increase.

Its solid financial position and high profitability could allow its streak of annual dividend increases to continue for many years to come, making Transcontinental both a high-yield and dividend-growth play today.

Extendicare Inc.

Extendicare is a leader in the Canadian senior care and services sector. It's one of the country's leading providers of long-term care and retirement living through its network of 118 senior care and living centres, comprising of 64 company-owned locations and 54 managed locations. It's also one of Canada's leading providers of home health care, and one of its leading providers of management and group purchasing services.

Canada's senior care industry is booming, driven by its aging population. In fact, in July 2015 Statistics Canada reported that there were more Canadians aged 65 and up–a record 5.78 million (16.1% of the population)–than there were aged 0-14 years–5.75 million (16% of the population).

This gap will only widen going forward as Statistics Canada projects that the percentage of persons aged 65 and up will surge to 20.1% of the population by July 2024, while the percentage of children aged 0-14 years will rise to just 16.3%.

The aging of the population will lead to record demand for senior care and services, and Extendicare's position in the industry makes it one of the best ways to profit from this trend.

Extendicare pays a monthly dividend of $0.04 per share, representing $0.48 per share on an annualized basis, which gives its stock a very high yield of about 5.5%. Its dividend is also very safe when you consider that its adjusted funds from operations (AFFO) totaled $31.39 million ($0.356 per share) and its dividend payments totaled $21.17 million ($0.24 per share) in the first half of fiscal 2016, resulting in a sound 67.4% payout ratio.

Extendicare is also a reliable dividend payer. It has maintained its current monthly dividend rate since May 2013, and I think its strong AFFO growth and its improved payout ratio could allow it to continue to do so for many years to come.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:TCL.A (Transcontinental Inc.)

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jsolitro