2 Dividend-Growth Stocks to Add to Your RRSP

Description

Investing in dividend-growth stocks is one of the most powerful and time-proven strategies to build wealth. It's for this reason that I think dividend-growth stocks should be the core holdings in your Registered Retirement Savings Plan (RRSP).

With this in mind, let's take a closer look at why you should consider adding **Canadian REIT** (TSX:REF.UN) and **Ritchie Bros. Auctioneers** (TSX:RBA)(NYSE:RBA) to your RRSP today.

Canadian REIT

Canadian REIT, or CREIT for short, is one of Canada's largest diversified real estate investment trusts (REIT). It has ownership interests in 187 industrial, retail, and office properties, comprising of approximately 27.9 million square feet, and 10 development properties, comprising of approximately 5.4 million square feet. Its properties are spread across seven Canadian provinces and one U.S. state and have high-quality tenants that include **Canadian Tire**, **Suncor Energy**, **Towers Watson**, and **Saputo**.

CREIT currently pays a monthly distribution of $0.1525 per unit, representing $1.83 per unit on an annualized basis, and this gives its stock a yield of about 3.9% at today's levels.

Its distribution is easily supported by its cash flow. In the first half of 2016, CREIT's adjusted funds from operations (AFFO) totaled $98.53 million ($1.35 per unit), and its distributions totaled just $66.18 million ($0.905 per unit), resulting in a conservative 67.2% payout ratio.

On top of having a high and safe yield, CREIT is the top distribution-growth play in the REIT industry. It has raised its annual distribution for 14 consecutive years, the longest active streak for a REIT in Canada, and its 1.7% hike in May has it on pace for 2016 to mark the 15th consecutive year with an increase.

I think CREIT's strong financial performance, including its 4.1% year-over-year increase in AFFO to $98.53 million ($1.35 per unit) in the first half of 2016, its conservative payout ratio, including 67.2% in the first half of 2016, and its very high occupancy rate, including 94.5% as of June 30, will allow its streak of annual distribution increases to continue going forward, making it one of the best long-term investment opportunities in the REIT industry today.

Ritchie Bros. Auctioneers

Ritchie Bros. Auctioneers, or RB for short, is the world's largest industrial equipment auctioneer, and one of the world's largest sellers of used equipment for the construction, transportation, agriculture, energy, mining, forestry, and other industries. It operates 44 auction sites across 19 countries in North America, Europe, the Middle East, Asia, and Australia.

It also owns and operates EquipmentOne, an online equipment marketplace, and Mascus, a global online equipment listing service, and it's in the process of acquiring IronPlanet, a leading online marketplace for used equipment and other durable assets.

RB currently pays a quarterly dividend of US$0.17 per share, representing US$0.68 per share on an annualized basis, giving its stock a yield of about 2% today.

Rather than paying out its dividend as a percentage of its cash flow, RB pays out its dividend as a percentage of its net earnings. In its 12-month period ended on June 30, 2016, its adjusted net earnings attributable to stockholders totaled US$121.3 million, and its dividend payments totaled just US$68.5 million, resulting in a sound 56.5% payout ratio, which is in line with its target range of 55-60%.

At first glance, RB may not seem like a great dividend stock since it yields just 2%, but you must remember that we are focused on dividend growth, which it has a long track record of. It has raised its annual dividend payment for 12 consecutive years, and its two hikes in the last 14 months, including its 6.3% hike last month, have it on pace for 2016 to mark the 13th consecutive year with an increase.

I think RB's strong operational performance, including its 3.5% year-over-year increase in gross auction proceeds to a record US$2.3 billion in the first half of 2016, and its pending US$758.5 million acquisition of IronPlanet, which is expected to close in the first half of 2017, immediately be accretive to its earnings, and form one of the world's 50 largest business-to-business e-commerce companies, will allow its streak of annual dividend increases to continue for many years into the future.

CATEGORY

1. Dividend Stocks
2. Investing

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