Millennials: 2 Top RRSP Stocks to Help You Save a Bundle for Retirement

Description

Young Canadians face an uphill battle when it comes to saving for retirement.

Why?

Unlike their parents and grandparents, who had full-time jobs working for companies that offered generous retirement plans, millennials often find themselves being bounced from contract to contract with little security and no benefits.

The fortunate ones who can nail down a full-time gig might get some health coverage, but pension benefits are becoming rare, especially defined-benefit plans that guarantee a monthly income at retirement.

Older Canadians have also benefited from rising house prices and can sell their homes to fund their retirement needs. Relying on a home to build wealth is much riskier approach for those who are buying in the current market.

As a result, young Canadians are forced to find other ways to save for retirement, and one option is to hold dividend-growth stocks in an RRSP.

Which stocks should you buy?

The top companies tend to be market leaders with strong track records of dividend growth.

Let's take a look at **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they might be solid picks.

Royal Bank

Royal Bank generated profits of just under $10 billion last year and is on track to break through the milestone this year.

That's pretty good considering the banks are facing some economic headwinds.

Royal Bank's success can be attributed to its diversified revenue stream. The company gets a significant portion of its profits from Canadian personal and commercial banking activities, but also has strong wealth management, capital markets, and insurance divisions.

Moving forward, investors should see strong contributions coming from the United States. Royal Bank recently spent US$5 billion to acquire City National, a California-based private and commercial bank. The purchase gives Royal Bank a strong platform to expand its reach in the segment, and investors could see more deals in the coming years.

Royal Bank has paid a dividend every year for more than a century and just raised its dividend. The current payout yields 4.1%.

A $10,000 investment in Royal Bank 15 years ago would be worth $59,000 today with the dividends reinvested.

Enbridge

Enbridge is a huge company, and it is about to get much bigger.

The company just announced a $37 billion deal to buy Houston-based **Spectra Energy** in a move that will make Enbridge an oil and natural gas infrastructure powerhouse.

Spectra adds strategic operations in both Canada and the U.S., including nearly 34,000 km of natural gas and crude pipelines. The purchase also boosts Enbridge's backlog of commercially secured development projects. The company has $26 billion in projects currently underway and $48 billion planned beyond 2019.

The benefit for investors is guaranteed growth over the long term. In fact, Enbridge expects to raise its dividend by at least 10% per year through 2024.

The stock currently offers a yield of 3.7%.

What about returns?

A $10,000 investment in Enbridge 15 years ago would be worth about $108,000 today with the dividends reinvested.

Is one a better RRSP pick?

Both stocks are top contenders for any RRSP portfolio.

At the moment, I would make Enbridge the first choice given the strong dividend-growth prospects over the medium term.

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1. Bank Stocks
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2. NYSE:RY (Royal Bank of Canada)
3. TSX:ENB (Enbridge Inc.)
4. TSX:RY (Royal Bank of Canada)

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