RRSP Investors: 2 Dividend Stocks to Help You Retire Rich

Description

Canadians are searching for top dividend-growth names to buy inside their self-directed RRSP accounts.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) to see why they are attractive picks.

TD

TD generated fiscal Q3 2016 earnings of $2.4 billion. Yes, that's right. The company makes about $800 million in profit per month!

The results are 6% better than the same period last year, and management is targeting earnings-per-share growth of at least 7% in the medium term.

TD is widely viewed as the safest investment of the large Canadian banks. It has the lowest direct exposure to the energy sector, and most of the company's revenue comes from bread-and-butter retail banking in Canada and the United States.

The U.S. operation actually has more branches than the Canadian business, providing a nice hedge against weakness in the home market. The latest results are a good example. TD's year-over-year Q3 Canadian retail earnings dropped 3% due to large insurance charges connected to the Albertan wildfires, but the U.S. group increased profits by 17%.

TD raised its dividend by nearly 8% in the first quarter, and investors have enjoyed 12% annualized growth in the distribution over the past 20 years. The current distribution yields 3.8%.

A $10,000 investment in TD just 15 years ago would be worth $51,000 today with the dividends reinvested.

CN

CN is unique in the North American rail industry.

The company is the only rail carrier that can offer access to three coasts, giving it an important competitive advantage that won't easily disappear. In fact, the odds of new lines being built along the same routes are pretty much nil, and consolidation efforts in the sector normally run into huge regulatory roadblocks.

CN still has to compete with trucking companies and other rail operators on some routes, so it works hard to make the business as efficient as possible. The Q2 operating ratio, which measures expenses as a percentage of revenue, came in at a record low, and that helped offset weaker year-over-year top-line numbers.

CN also generates significant revenue south of the border, which provides a nice hedge against slow times in Canada.

As a result, Q2 earnings per share were pretty much in line with the second quarter last year. That's pretty good considering the tough economic times currently hitting the broader rail industry.

Management does a good job of sharing profits with investors. The company raised the dividend by 20% earlier this year and has hiked the payout annually by an average 17% over the past two decades.

The current dividend provides a yield of 1.7%.

What about returns?

A $10,000 investment in CN back in October of 2001 would now be worth $126,000 with the dividends reinvested.

Is one a better RRSP pick?

Both stocks are great long-time holdings for an RRSP account.

Earlier in the year I would have picked CN as the first choice, but the stock has rallied significantly off the January lows, so I would call it a coin toss between the two names today.

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1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:CNR (Canadian National Railway Company)
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Date
2025/08/24
Date Created
2016/10/05
Author
aswalker