



2 Quality Dividend-Growth Stocks for Your RRSP

Description

Opening and contributing to a Registered Retirement Savings Plan (RRSP) is a great way to set money aside for retirement, and deductible contributions can help reduce your taxes. Dividend-growth stocks are ideal investment options for RRSPs, so let's take a closer look at two that you could buy today.

Telus Corporation

Telus Corporation ([TSX:T](#))([NYSE:TU](#)) is Canada's third-largest and fastest-growing national telecommunications company with about 12.5 million customer connections as of June 30. It provides a wide range of products and services, which include wireless, data, internet protocol (IP), voice, television, entertainment, and video, and it's the country's largest healthcare IT provider.

Telus currently pays a quarterly dividend of \$0.46 per share, representing \$1.84 per share on an annualized basis, which gives its stock a bountiful 4.3% yield today.

It's very important to always confirm the safety of a stock's dividend before investing, and you can do this with Telus by checking its earnings. In its 12-month period ended on June 30, its adjusted net earnings totaled \$2.34 per share, and its dividend payments totaled just \$1.76 per share, resulting in a sound 75.2% payout ratio.

In addition to its high and safe dividend yield, Telus has a track record of dividend growth. It has raised its annual dividend payment for 12 consecutive years, and its three hikes since the start of 2015, including its 5% hike in May 2015, its 4.8% hike in November 2015, and its 4.6% hike in May of this year, have it on pace for 2016 to mark the 13th consecutive year with an increase.

Telus also has a dividend-growth program in place to raise its dividend by 7-10% annually through 2019 by announcing hikes in May and November of each year, so investors should look for its next hike when it reports its third-quarter earnings results on November 4.

Overall, Telus has a high, safe, and growing dividend, making it one of the market's best investment opportunities for long-term investors.

High Liner Foods Inc.

High Liner Foods Inc. ([TSX:HLF](#)) is one of North America's largest producers and distributors of value-added frozen seafood to the food service and retail trades. Its brands include High Liner, Fisher Boy, Mirabel, Sea Cuisine, Icelandic Seafood, FPI, Viking, and American Pride.

High Liner currently pays a quarterly dividend of \$0.13 per share, representing \$0.52 per share on an annualized basis, and this gives its stock a yield of about 2.1% today.

It may not seem completely necessary to confirm the safety of a stock's dividend whose yield is less than 3%, but I think investors should always do so anyways, and you can do this with High Liner by checking its cash flow. In the first half of 2016, its net operating cash flow (OCF) totaled US\$47.88 million, and its dividend payments totaled just US\$5.85 million, resulting in a very conservative 12.2% payout ratio.

You still may not be convinced that High Liner is a great dividend stock, so let's get down to what really matters: dividend growth. It has raised its annual dividend payment for eight consecutive years, and its two hikes since the start of 2015, including its 14.3% hike in May 2015 and its 8.3% hike in May of this year, have it on pace for 2016 to mark the ninth consecutive year with an increase.

I think High Liner's strong OCF growth, including its 76.5% year-over-year increase to US\$47.88 million in the first half of 2016, will allow its streak of annual dividend increases to continue in 2017 and beyond.

All in all, High Liner has a modest dividend yield, a track record of dividend growth, and the ability to continue growing its dividend going forward, making it one of the best dividend-growth plays in the food industry today.

Is one a better bet than the other?

I think both Telus and High Liner represent great long-term investment opportunities today, but if I had to choose just one, I'd go with Telus because it has a much higher dividend yield and a dividend-growth program in place.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:TU (TELUS)

2. TSX:HLF (High Liner Foods Incorporated)
3. TSX:T (TELUS)

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