2 Top Dividend-Growth Stocks to Consider for Your RRSP

Description

Canadians are buying dividend stocks inside their RRSPs in an effort to set aside enough cash to retire comfortably.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see why they might be attractive picks.

Enbridge

Enbridge recently announced plans to buy **Spectra Energy** for $37 billion. The deal will create North America's largest energy infrastructure company with an enterprise value of $165 billion.

As the oil rout reduces demand for new infrastructure, and public opposition mounts against the building of major new pipelines, consolidation in the sector is likely to continue. Given its large size and access to funds, Enbridge is positioned well to capitalize on opportunities.

Organic growth is still important, and Enbridge has $16 billion in near-term projects under development. Spectra will add another $10 billion to the portfolio, so the company should have enough work to keep it busy for a few years while the energy sector navigates through the current challenges.

In fact, Enbridge is comfortable enough with its cash flow–growth outlook that it plans to raise the dividend by 15% in 2017 and by at least 10% per year through 2024.

The current distribution offers a yield of 3.8%.

TD

Some investors are concerned the oil rout and an overheated housing market could hit the Canadian banks.

TD's direct exposure to oil and gas companies represents less than 1% of its total loan portfolio, so there is little to worry about on that front.

Regarding housing, the company has a large Canadian residential mortgage business, but 53% of the loans are insured and the loan-to-value ratio on the rest is 58%. This means house prices would have to pull back significantly before TD begins to take a meaningful hit.

TD's revenue comes primarily from its retail banking operations in Canada and the United States. This segment tends to be more stable than capital markets activities, which account for as much as 25% of revenue at TD's peers.

The company continues to expand its operations in the United States, which should provide a nice revenue hedge when times get tough in Canada.

TD's compound annual dividend growth rate over the past two decades is an impressive 12%, and investors should see the distribution continue to rise in step with expected earnings growth of 7-10% over the medium term.

The current payout yields 3.6%.

Is one a better bet?

Both stocks are attractive long-term RRSP picks. Enbridge probably offers better dividend growth over the medium term, so I would probably make the pipeline operator my first choice today.

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2. NYSE:TD (The Toronto-Dominion Bank)
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