2 Stocks Yielding 3-6% to Add to 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 stocks should be the core holdings in your RRSP, so let's take a quick look at two that you could buy today.

Sun Life Financial Inc.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) is a leading international financial services organization. It provides a wide range of protection and wealth products and services to individuals and corporate customers in numerous markets around the world, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, Japan, India, China, and Australia.

Sun Life currently pays a quarterly dividend of $0.42 per share, representing $1.68 per share on an annualized basis, and this gives its stock a generous 3.3% yield today.

It's very important to confirm the safety of a stock's dividend before making an investment, especially when selecting stocks for your RRSP, and you can do this with Sun Life by checking its earnings. In its nine-month period ended on September 30, 2016, its underlying net income totaled $1.78 billion ($2.89 per share), and its dividend payments totaled just $735 million ($1.20 per share), resulting in a conservative 41.4% payout ratio, and this is at the low end of its target payout range of 40-50%.

In addition to its generous and safe yield, Sun Life offers dividend growth. Fiscal 2016 officially marks the second consecutive year in which it has raised its annual dividend payment, and its recent hikes, including its 3.7% hike in November, have it on pace for fiscal 2017 to mark the third consecutive year with an increase.

As mentioned before, Sun Life has a target dividend-payout range of 40-50% of its underlying net income, so I think its continual growth, including its 7% year-over-year increase to $1.78 billion in the first nine months of 2016, and its growing asset base that will help fuel future growth, including its 7.3% year-over-year increase to $908.1 billion in the first nine months of 2016, will allow its streak of annual dividend increases to continue in 2018 and beyond.

Rogers Sugar Inc.

Rogers Sugar Inc. (TSX:RSI) is Canada's largest producer and distributor of refined sugar. Its product offerings include high-quality white sugar as well as specialty sugars, all of which are offered under its Lantic and Rogers brand names.

Rogers pays a quarterly dividend of $0.09 per share, representing $0.36 per share on an annualized basis, giving its stock a sweet 5.35% yield today.

Confirming the safety of Rogers's dividend is very easy; all you have to do its check its cash flow. In its fiscal year ended on October 1, 2016, its free cash flow totaled $41.22 million, and its declared dividends totaled just $33.8 million, resulting in a sound 82% payout ratio.

On top of having a high and safe yield, Rogers is known as being a very reliable dividend payer. It has maintained its current annual rate since fiscal 2013, and it has paid out an annual dividend of at least $0.34 per share since it converted to a conventional corporation in January 2011.

I think Rogers's very strong growth of free cash flow, including its 23.6% year-over-year increase to $37.77 million in fiscal 2015 and its 9.1% year-over-year increase to $41.22 million in fiscal 2016, could allow it to continue to maintain its current annual dividend rate for the foreseeable future or allow it to announce a slight hike whenever its management team so chooses.

Which is the better buy now?

I think both Sun Life and Rogers Sugar represent great long-term investment opportunities for dividend investors, but if I had to choose just one to invest in today, I'd go with Sun Life because it has much higher growth potential going forward.

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