



2 Dividend-Growth Aristocrats to Add to Your RRSP

Description

Investing in dividend-growth stocks is one of the most powerful and time-proven strategies to build wealth. It's for this reason that I think dividend-growth stocks should be the core holdings in your Registered Retirement Savings Plans (RRSP).

With this in mind, let's take a look at two dividend-growth aristocrats that you could add to your RRSP today.

Inter Pipeline Ltd.

Inter Pipeline Ltd. (TSX:IPL) is one of the largest providers of petroleum transportation, natural gas liquids processing, and bulk liquid storage services in western Canada and Europe.

It currently pays a monthly dividend of \$0.135 per share, representing \$1.62 per share on an annualized basis, which gives its stock a juicy 5.5% yield at today's levels.

As Foolish investors know, it's of the utmost importance to always confirm the safety of a stock's dividend before investing, and you can do this with Inter Pipeline by checking its cash flow. In its fiscal year ended on December 31, 2016, its funds from operations attributable to shareholders totaled \$816.8 million, and its dividend payments totaled just \$539.2 million, resulting in a sound 66% payout ratio.

Not only is Inter Pipeline a high and safe dividend play, but it's also one of the industry's top plays for dividend growth. It has raised its annual dividend payment in each of the last seven years, including a compound annual growth rate of about 9% since 2012, and its most recent 3.8% hike in November has it on pace for 2017 to mark the eighth consecutive year with an increase.

I think investors can rely on Inter Pipeline for further dividend growth in the years ahead as well. I think its consistently strong growth of funds from operations attributable to shareholders, including its 34% year-over-year increase to \$733.1 million in 2015 and its 11.4% year-over-year increase to \$816.8 million in 2016, and its ever-improving payout ratio, including 66% in 2016 compared with 67.8% in 2015, will allow its streak of annual dividend increases to continue for another eight years.

Finning International Inc.

Finning International Inc. ([TSX:FTT](#)) is the world's largest **Caterpillar** dealer. It sells, rents, and provides parts and services for equipment and engines to customers across western Canada, South America, the U.K., and Ireland.

It currently pays a quarterly dividend of \$0.1825 per share, representing \$0.73 per share on an annualized basis, and this gives its stock a yield of about 2.9% today.

It may not seem completely necessary to confirm the safety of a yield under 3%, but I think investors should do so anyways just to be absolutely sure, and you can do this with Finning by checking its cash flow. In its fiscal year ended on December 31, 2016, its free cash flow totaled \$370 million, and its dividend payments totaled just \$123 million, resulting in a very conservative 33.2% payout ratio.

Finning's yield may not impress you, but its dividend growth surely will. It has raised its annual dividend payment for 15 consecutive years, and I think its very strong growth of free cash flow, including its 13.8% year-over-year increase to \$370 million in 2016, and its wildly improved payout ratio, including 33.2% in 2016 compared with 38.2% in 2015, will allow it to continue its streak of annual increases in 2017 by announcing a hike when it releases its first-quarter earnings results in May.

Should you prefer one to the other?

I think both Inter Pipeline and Finning International represent fantastic long-term investment opportunities, but if I had to choose just one to invest in today, I'd go with Inter Pipeline, because it has a much higher yield and similar dividend-growth prospects going forward.

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1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTT (Finning International Inc.)

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