RRSP Investors: 2 Industry Leaders With Sustainable Dividend Yields

Description

When investors are looking to save for retirement, they may want a higher yield than GICs or bonds, but they don't have a tolerance for high-risk equity securities. Fortunately, there are plenty of companies that offer reliable yields with the potential for growth in the stock price.

In Canada, two of the largest industries are banking and energy, and within those industries lie two companies that investors can rely on: **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS).

Royal Bank of Canada

Royal Bank is currently the largest financial institute in Canada and the 10th-largest investment bank in the world. It offers a broad range of financial services across Canadian, U.S., and international markets.

Royal Bank's personal and commercial banking services produced a net income of $5.18 billion in 2016. Its other services, such as wealth management and insurance, produced net incomes in the range of $613-2,270 million. With solid income streams from a diverse set of services, Royal Bank will be able to sustain and grow its dividend yield of about 3.37%.

In addition, its stock price is approaching $100, and a stock split could occur in the near future. The adjusted share price will have no effect on current shareholders. However, it will attract prospective buyers at a lower price point and indicate that management believes that future growth prospects are strong.

Fortis

Fortis is a North American gas and electric utility company headquartered in St John's, Newfoundland. Fortis provides a low-risk option for investors who seek exposure to the energy industry. With a beta of 0.11 and 95% of its assets being regulated, Fortis will continue to provide steady cash flows without being affected by swings in the stock market.

In addition, Fortis has continued to expand its operations by acquisitions. It recently acquired ITC

Holdings, a U.S. electric utility company, resulting in 60% of its operating profits now being derived from south of the border. Therefore, the company should be able meet its projections of growing the current yield of 3.73% by 6% each year until 2021.

The price-to-earnings ratio is currently valued at 23, which is slightly above the five-year average of 20.4. However, if you're keen on adding low-risk equities to your portfolio, it may be worth it to pay a little more for Fortis.

Foolish bottom line

For investors with a low risk tolerance, it's a safer play to invest in the leaders of industries that will be around for years to come. Although it may cost more to add these blue-chip stocks to your portfolio today, you can't put a price on peace of mind.

Fool on.

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