



2 Excellent Dividend 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. High-yielding dividend-growth stocks are ideal investment options for RRSPs, so let's take a look at two that you could buy right now.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#)) ([NYSE:BMO](#)), or BMO for short, is the fourth-largest bank in Canada and the eighth-largest bank in North America as measured by assets with approximately \$692.38 billion as of January 31, 2017. It provides financial products and services, such as personal and commercial banking, wealth management, and investment banking to more than 12 million customers.

BMO currently pays a quarterly dividend of \$0.88 per share, representing \$3.52 per share on an annualized basis, giving its stock a rich 3.4% yield today.

It's highly important to always 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 BMO by checking its dividend payments as a percentage of its earnings. In its three-month period ended on January 31, 2017, its basic earnings per share totaled \$2.23, and its dividends declared per share totaled just \$0.88, resulting in a very conservative 39.5% payout ratio, which is below its target range of 40-50%.

On top of having a high and very safe 3.4% yield, BMO is one of the banking industry's best dividend-growth plays. It has raised its annual dividend payment each of the last five years, and its two hikes in the last 12 months, including its 2.4% hike in May 2016 and its 2.3% hike in December 2016, have it on pace for 2017 to mark the sixth consecutive year with an increase.

As mentioned previously, BMO has a target dividend-payout range of 40-50% of its basic earnings per share, so I think its incredibly strong growth, including its 40.3% year-over-year increase to \$2.23 per share in the first quarter of 2017, and its vastly improved payout ratio, including 39.5% in the first quarter of 2017 compared with 52.8% in the year-ago period and 49% in all of fiscal 2016, will allow its streak of annual dividend increases to continue for the next decade at least.

Innergex Renewable Energy Inc.

Innergex Renewable Energy Inc. ([TSX:INE](#)) is a leading independent renewable-power producer. It has ownership interests in 47 facilities, including 29 hydroelectric facilities, 17 wind farms, and one solar farm, which have an aggregate net installed capacity of 939 megawatts and are located across Canada, the United States, and France.

Innergex currently pays a quarterly dividend of \$0.165 per share, representing \$0.66 per share on an annualized basis, and this gives its stock a juicy 4.6% yield today.

Confirming the safety of this +4% yield is as easy as checking Innergex's cash flow. In its fiscal year ended on December 31, 2016, its free cash flow totaled \$75.7 million, and its dividend payments totaled just \$68.52 million, resulting in a sound 90.5% payout ratio.

Like BMO, Innergex has shown a strong dedication to growing its dividend. It has raised its annual dividend payment for three consecutive years, and the 3.1% hike it announced last month has it positioned for 2017 to mark the fourth consecutive year with an increase.

I think investors can continue to count on Innergex for dividend growth going forward as well. I think its continued growth of free cash flow, including its 1.8% year-over-year increase to \$75.7 million in 2016, and its ongoing expansion efforts which will fuel future free cash flow growth, including its addition of 12 operating facilities and 201 megawatts of net installed capacity in 2016, will allow its streak of annual dividend increases to continue through 2020 at the very least.

Which should you buy today?

I think BMO and Innergex represent fantastic long-term investment opportunities, so take a closer look at each and strongly consider initiating a position in at least one of them today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)
3. TSX:INE (Innergex Renewable Energy Inc.)

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