



Is TransCanada Corporation a Good Pick for an RRSP Dividend Portfolio?

Description

Canadian investors are searching for reliable stocks to hold inside their RRSP accounts.

Let's take a look at **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) to see if it deserves to be in your portfolio right now.

Business lines

TransCanada is primarily known for its natural gas pipeline infrastructure, but the company also has liquids pipelines, natural gas storage facilities and power generation assets.

The pipeline operations include infrastructure located in Canada, the United States and Mexico.

Growth

TransCanada has grown through a mix of strategic acquisitions and organic development projects over the years, and that trend continues.

In 2016, TransCanada purchased Columbia Pipeline Group for US\$13 billion in a deal that added key natural gas assets in the growing Marcellus and Utica gas plays. The acquisition also included strategic pipeline infrastructure that runs from New York to the Gulf of Mexico.

In addition, TransCanada has a nice mix of organic projects that are under development or planned for the future.

Keystone XL and Energy East are the pipelines that attract most of the media attention, but investors should focus on the backlog of smaller projects.

Why?

The company's development portfolio includes about \$23 billion in near-term capital projects that should generate enough additional cash flow to support annual dividend growth of at least 8% through 2020.

Going back to the major projects, the larger pipelines shouldn't be completely ignored, as Keystone XL is once again in play after receiving a presidential permit in the United States.

Energy East's future is less certain, but the project is not dead. The new National Energy Board (NEB) members are now in place, and once a hearing order is issued, the 21-month review period will begin.

If successful, the 4,600 km pipeline would carry 1.1 million barrels per day of crude oil from Alberta and Saskatchewan to refineries in Eastern Canada.

Dividends

Dividend growth is important for RRSP investors who use the distributions to buy additional shares.

TransCanada has a strong track record of raising its payout, and investors should feel comfortable with the company's guidance for dividend growth.

The current distribution provides a yield of 3.9%.

Should you buy?

TransCanada's growth outlook suggests the good times should continue for dividend investors, and the full value of Keystone XL, or the potential of Energy East, might not be fully priced in at this point.

The stock certainly isn't as cheap as it was at the end of 2015, but patient investors with buy-and-hold strategies should still consider TransCanada for an RRSP pick.

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