2 High-Yield Stocks to Boost Your RRSP Returns

Description

Canadians are searching for reliable high-yield stocks to put inside their self-directed RRSP accounts.

The strategy can deliver strong RRSP returns, especially when the distributions are used to buy additional shares, setting off a powerful compounding process that can turn modest initial investments into significant retirement savings over time.

Let's take a look at **RioCan Real Estate Investment Trust** (TSX:REI.UN) and **Pembina Pipeline Corp.** (TSX:PPL) (NYSE:PBA) to see why they might be interesting picks.

RioCan

RioCan exited the U.S. last year and used the proceeds from the sale to pay down debt. At the end of 2016, RioCan's debt-to-total-assets ratio came in at 40% compared to 46% at the same time the previous year. As a result, the REIT should be positioned well to adjust to rising interest rates.

The company now owns interests in about 300 retail properties across Canada.

Critics of the stock point to the ongoing reports of struggling brick-and-mortar retailers, especially in the department store segment, and say investors should steer clear of the REIT.

There is no doubt the retail landscape is changing, especially in the U.S., with internet sales taking a growing piece of the pie, but RioCan's Canadian properties tend to have anchor tenants that are less impacted by the trend, and strong demand for the company's prime locations suggests the overall market remains strong.

The REIT has interests in 15 new retail developments, which will add 6.4 million square feet of additional space with about 3.8 million square feet net to RioCan.

Management has also launched a plan to build up to 10,000 residential units at RioCan's top retail locations in six key markets over the next decade. If the concept takes off, investors could see a nice boost to revenue and the distribution in the coming years.

RioCan pays a monthly distribution of 11.75 cents per unit. That's good for a yield of 5.5% at the current price.

Pembina

Pembina recently raised its monthly dividend by a penny to $0.17 per share, supported by $4 billion in capital projects that are expected to go into service in 2017.

In addition, Pembina just announced plans to buy **Veresen Inc.** (TSX:VSN) for $9.7 billion in a deal that will create a company with a pro-forma enterprise value of $33 billion and a capital program of $6 billion currently under development.

Pembina plans to boost the monthly dividend to $0.18 per share once the transaction closes.

The current payout provides a yield of 4.8%.

Is one more attractive?

Both stocks should be solid holdings for an RRSP portfolio.

If you only buy one, Pembina might be more attractive today based on the growth opportunities the company will have after completing the purchase of Veresen.

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1. Dividend Stocks
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1. Editor's Choice

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1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:PPL (Pembina Pipeline Corporation)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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aswalker