Canadian Savers: 2 Top Canadian Dividend Stocks for Your RRSP Portfolio

Description

Canadians are searching for ways to boost their retirement savings funds.

One popular strategy is to hold dividend-growth stocks inside an RRSP and invest the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a significant nest egg over time.

Let’s take a look at **Royal Bank of Canada** (TSX:RY)(NYSE:RY) and **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they might be interesting picks.

Royal Bank

Royal Bank is an earnings machine. The company reported $2.8 billion in profits in fiscal Q2 2017, putting it on course to blow through the $10 billion mark for the year.

The balanced revenue stream is a big reason for the company’s success. Royal Bank has strong personal and commercial banking, wealth management, capital markets, and insurance divisions.

The company is also growing its operations south of the border. In late 2015, Royal Bank spent US$5 billion to acquire City National, a California-based commercial and private bank.

City National gives Royal Bank a solid platform to expand its presence in the private-banking segment, and investors could see additional deals in the coming years.

Royal Bank has a strong history of dividend growth and also rewards investors through share repurchases. In the first half of fiscal 2017, the bank bought back 30 million common shares.

The current dividend provides a yield of 3.7%.

Royal Bank has a large Canadian residential mortgage portfolio, which has some investors concerned, but the company is capable of riding out a downturn in the housing market.

In fact, 48% of the portfolio is insured, and the loan-to-value ratio on the remaining mortgages ranges from 49% in Ontario to 63% in Quebec. This means house prices would have to drop significantly before the company takes a material hit.

Enbridge

Enbridge recently closed its $37 billion purchase of Spectra Energy in a deal that creates North America's largest energy infrastructure company.

The business generates revenue from liquids pipelines, gas pipelines, natural gas utilities, and renewable energy assets.

Enbridge has $27 billion in commercially secured near-term development projects on the go that are expected to generate enough cash flow growth to support annual dividend increases of at least 10% through 2024.

The stock currently yields 4.7%.

Is one more attractive?

Both stocks should be solid buy-and-hold picks for a dividend-focused RRSP portfolio.

That said, Enbridge currently offers a better yield and will likely generate stronger dividend growth over the medium term. As a result, I would make the pipeline company the first choice today.

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aswalker