RRSP Investors: Are These 2 Top Canadian Dividend Stocks On Sale?

Description

Canadian savers are on the hunt for top-quality names to add to their self-directed RRRSP portfolios.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) to see if they are attractive today.

BCE Inc.

BCE's stock price is down more than 5% since late April amid fears that rising interest rates could hit the telecom giant.

What's the story?

Well, the telecom business is capital intensive, and companies tend to use debt to help finance the build-out of their communications infrastructure.

As interest rates rise, so do borrowing costs, and this can put a pinch on the bottom line.

In addition, rising rates tend to make GICs more appealing, and there is a belief that investors could dump their telecom stocks and switch to lower-risk options when the yield gap narrows.

A steep rise in interest rates over a short period of time would certainly be negative, but that is unlikely to happen, and the current market fear might be a tad overblown.

BCE continues to grow, albeit slowly, and the company generates significant free cash flow to support the dividend.

At the time of writing, the stock provides a yield of 4.9%, which is much higher than any GIC is likely to offer for quite some time.

Dividend growth should help offset the expected slow pace of interest rate hikes from the Bank of Canada.

CN Rail

CN's stock is taking a breather after a big run over the past few years.

Investors don't often get a chance to buy the rail operator on a pullback, so the weakness over the past month might provide a buying opportunity.

CN remains a top-quality name that generates significant free cash flow through a diversified revenue stream.

The company essentially operates as the backbone of the U.S. and Canadian economies with rail lines connecting three coasts and business segments ranging from commodities to cars.

A significant part of the earnings comes from the United States, providing a nice hedge against any weakness in Canada.

Some investors look at the 1.6% yield and skip the stock, but that has proven to be a big mistake. CN's yield might be low, but the company's annualized dividend growth rate over the past 20 years is about 16%.

Is one more attractive?

Both companies are proven buy-and-hold names to put in an RRSP portfolio, and that should continue to be the case over the long-run.

At this point I would probably split a new investment between the two stocks.

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2. NYSE:CNI (Canadian National Railway Company)
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