2 Dividend-Growth Stocks to Start Your RRSP Portfolio Today

Description

Canadians are searching for reliable stocks to own inside their self-directed RRSP portfolios.

The RRSP is a great option for savers who think their marginal tax rate at retirement will be lower than it is today, as investments made now can be used to lower your taxable income for the year. When you pull the money out in your golden years, it will ideally be taxed at a lower rate.

In addition, the full value of the dividends that are earned inside the RRSP can be invested in new shares. This takes advantage of the power of compounding, and can turn a modest initial investment into a significant pile of savings over time.

Let's take a look at **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to see why they might be interesting picks.

TransCanada

TransCanada bought Columbia Pipeline Group last year in a US$13 billion deal that added strategic gas assets in the Marcellus and Utica shale gas plays, as well as important pipeline infrastructure, including a connection from Appalachia to the Gulf Coast.

The acquisition also bumped up TransCanada's near-term capital program, which was stated at $24 billion in the Q2 2017 report. As the new assets are completed and go into service, TransCanada expects cash flow to increase enough to support annual dividend growth of at least 8% through 2020.

TransCanada's dividend currently provides a yield of 4%.

Fortis

Fortis has also been on the acquisition trail with last year's US$11.3 billion purchase of a Michigan-based transmission company, ITC Holdings. That deal came on the heels of the 2014 buyout of Arizona-based UNS Energy for US$4.5 billion.

The integration of both businesses has gone well, and the assets are performing as anticipated.

Fortis says the resulting boost to cash flow should allow it to raise the dividend by at least 6% per year through 2021. Investors have received a dividend hike every year for more than four decades, so the guidance should be reliable.

Income investors like this stock because Fortis gets the majority of its revenue from regulated assets, which should mean cash flow is predictable.

At the time of writing, the stock provides a yield of 3.5%.

Is one more attractive?

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

If you only choose one, I would probably go with TransCanada today for the higher yield and stronger dividend-growth outlook over the medium term.

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