RRSP Investors: 2 High-Yield Dividend Stocks for Your Portfolio

Description

If you're looking to add high-yield dividend stocks to your self-directed RRSP portfolio, I see some nice opportunities presenting themselves.

One of the most important factors to consider when you're buying a stock for the long term is dividend yield. For mature and solid companies, the predictability in their earning potential, their strong and durable competitive advantage, and efficient management make sure that investors get reasonable returns to grow their savings pool.

In Canada, banking and telecom stocks fall in this category. Let's see if shares of **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) are attractive enough for your RRSP portfolio.

BCE Inc.

BCE stock has done nothing for its investors this year mainly because of concerns about interest rate hikes as the Bank of Canada tightens its monetary policy due to the health of economy.

Highly leveraged telecom companies usually underperform in a rising interest rate environment as investors shift their focus to safe options like government bonds and GICs.

After this recent pullback in BCE stock, its dividend yield is getting close to 5%, which is more than double the size of average yield offered by industry peers.

If you're a long-term dividend investor, buying BCE stock with a dividend yield of 5% isn't a bad idea. BCE has a long history of rewarding its investors with regular dividend increases.

Since the fourth quarter of 2008, BCE has increased its annual dividend by 97%. Investors are getting $2.87 per share annual dividend with the target payout ratio of between 65% and 75% of its free cash flow.

Bank of Nova Scotia

Keeping a couple of quality banking stocks in your RRSP portfolio should be a crucial part of your investment strategy. Banks in Canada provide stability and growth to your income, and Bank of Nova Scotia, the third-largest lender, offers all these qualities to investors.

Investors have dumped Canadian banking stocks this year on concerns that the ongoing correction in the country's overheated housing market could expose lenders to losses on their mortgage loans.

But their recent earning reports suggest that banks in Canada are in healthy shape.

Bank of Nova Scotia, for example, reported that its earnings per share rose to $1.66 from $1.54 a year earlier, beating analysts' expectations of $1.64 for the third quarter.

Net income at the bank's domestic business grew by 12% to $1.05 billion, and net income at its international business rose 16% to $614 million.

With a dividend yield of 3.9%, Bank of Nova Scotia offers an attractive opportunity for long-term investors. In its latest quarter, the bank announced an increase to its quarterly dividend to $0.79 a share, up 7% from the same quarter a year ago.

Bottom line

Dividend-paying stocks with a good potential of raising their payouts are the best candidates for your RRSP. This combination helps you multiply your income faster as you re-invest your dividends to buy more shares, and growth in their payouts protects your portfolio from rising inflation.

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1. Dividend Stocks
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