RRSP Investors: 2 Canadian Dividend Kings to Hold for Decades

Description

Canadians are searching for top stocks to add to their RRSP portfolios.

Let's take a look at **BCE Inc.** (TSX:BCE)(NYSE:BCE) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see why they might be interesting picks.

BCE

BCE closed its acquisition of Manitoba Telecom Services earlier this year in a deal that vaulted the giant to the top spot in the Manitoban market. The move also positions BCE to expand its presence in the western provinces.

Rising interest rates have some investors concerned that BCE could take a big hit, as funds shift out of telecom stocks and into GICs. Higher rates will also add to borrowing costs, which could put a pinch on cash flow available for dividend hikes.

The concerns are valid to a certain extent, but the fear in the market might be a bit overblown.

BCE generates significant free cash flow to support its dividend, and the company has the power to increase prices to offset any negative effects from rising rates.

At the time of writing, the stock offers a dividend yield of 4.9%. GICs won't be competitive with that kind of return for quite some time.

TD

TD is widely viewed as the safest Canadian bank.

Why?

The company primarily relies on retail banking activities, which tend to be more stable than other segments, such as capital markets.

The company also has limited direct exposure to the oil industry and operates more branches in the United States than it does in the Canada.

The U.S. presence provides a nice hedge against difficulties that might arise in the Canadian economy.

What about housing?

TD's mortgage portfolio is large, but uninsured mortgages only represent 56% of the loans, and the loan-to-value ratio on that portion is 53%. This means house prices would have to fall significantly before the bank takes a material hit.

TD just reported a 19% year-over-year increase in adjusted earnings per share, supported by strong earnings growth in both the Canadian and U.S. operations.

The stock provides a dividend yield of 3.6%.

Is one more attractive?

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

At this point, I would probably split a new investment between the two companies. BCE might be a bit oversold right now, and TD should see a net benefit from rising interest rates.

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Author

aswalker