RRSP Investors: 2 Dividend-Growth Stocks for Your Retirement

Description

Beefing up your RRSP portfolio with top dividend-growth stocks is always a work in progress. If you're building up your nest egg, you have to constantly look for better opportunities among dividend-paying companies.

This year, both utilities and banks are offering good bargains for long-term investors, as the Canadian economy roars ahead with the solid growth, brightening the outlook for both banks and infrastructure companies.

I see **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) stocks offering some attractive opportunities for long-term buy-and-hold investors. Let's see if they're a fit for your RRSP investments.

Fortis

Fortis is among the top 15 North American utilities, operating $48 billion assets and serving over three million customers in Canada, the U.S., and the Caribbean.

Fortis is also a nice growth play with its aggressive acquisition strategy in the region. In recent years, Fortis bought Arizona-based UNS Energy for US$4.5 billion and Michigan-based ITC Holdings for US$11.3 billion.

For income investors, Fortis is a very stable and growing investment. The company earns 93% of its earnings from regulated utilities that provide a very predictable revenue stream. That's why it's been able to increase its dividend payouts for 43 consecutive years.

Fortis stock has shown a little weakness for the past month, falling about 3% to $44.72 at the time of writing. Paying $0.32 a share quarterly dividend and yielding ~3.6%, this stock provides a good entry point for long-term investors.

The company also plans to raise its payout by 6% each year through 2021 as it benefits fromincreased cash flows from acquisitions it’s made in recent years.

CIBC

Among Canadian banks, CIBC stock presents an interesting opportunity for income investors. The stock has been the hardest hit in the current sell-off of financials due to its higher exposure to the overheated Canadian housing market.

Some investors also feel that CIBC is the least diversified bank among the top five and too dependent on its Canadian operations.

These are the two main factors that pushed the CIBC stock lower in the past six months; it’s fallen about 9%.

But for long-term investors, I think, this pullback provides a good entry point to pick a nice ~5% dividend yield, which is the highest among the big banks.

Trading at the price-to-earnings multiple of nine compared with 12.57 for **Royal Bank of Canada**, for example, CIBC stock looks quite attractive, especially when concerns about the housing market crash are overblown and the bank is on track to add a significant growth after its acquisition of the Chicago-based PrivateBancorp.

Which one is better?

I think both stocks are solid dividend plays for Canadian RRSP investors. These companies provide you exposure to the best dividend-paying sectors — banks and energy infrastructure.

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2. NYSE:FTS (Fortis Inc.)
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