2 Blue-Chip Stocks to Put in Your RRSP

Description

A Registered Retirement Savings Plan (RRSP) is a type of investment account designed to help you save for retirement by deferring tax payments. Since your investment horizon is very long in a RRSP, you should seek stocks that grow over the long term. The dividend yield doesn't matter — you don't need yet the money coming from your RRSP to live on. The total return is what you should look at.

Large-cap, blue-chips stocks are good investment choices because they provide long-term stability and growth. You can buy and hold them until your retirement without worrying about your money.

Here are two blue-chips stocks that could be good additions to your RRSP.

Canadian National Railway Company

Canadian National Railway Company (TSX:CNR)(NYSE:CNI) is the largest non-financial Canadian blue-chip stock and the second-largest railway stock in North America after **Union Pacific Corporation** .

CN Rail's stock has an impressive compound annual growth rate of return of 17% over 15 years. Very few stocks are able to sustain such a high return over such a long period.

CN Rail pays a quarterly dividend, which has been increased every year since its IPO in 1995 with an annual average growth of 18%. The last dividend hike happened in January with a rise of 10% from $0.375 to $0.4125 a share. This gives a dividend yield of 1.63%.

In its 2017 second quarter, The Montreal-headquartered rail carrier saw its revenue grow by 17% to $3.3 billion, led by metals and coal, which were both up by 33%.

CN Rail reported adjusted EPS of $1.34 compared to $1.11 per share a year ago. The company was expected to earn $1.31 per share in adjusted profits on $3.25 billion of revenue.

Strong growth of 10% is expected for the next five years.

CN Rail's stock shows a high return on equity of 26.15% and a one-year forward P/E of 18.

Canadian Tire Corporation Limited

Canadian Tire Corporation Limited (TSX:CTC.A) is a well-established retailer that sells a wide range of automotive, home, and sports products.

Canadian Tire's stock shows a compound annual growth rate of return of 12% over 15 years. It pays a quarterly dividend, which has been raised every year since 2010. The last rise happened at the beginning of this year, when the retailer increased its dividend by 13% from $0.575 to $0.65 per share. The dividend's five-year growth rate is 16.7%.

Canadian Tire reported a strong 2017 second quarter, helped by strong sales growth in June after a slow start to the spring and summer season. Consolidated retail sales increased by 3% to $4.1 billion, while consolidated revenue rose by 1.8% to $3.4 billion.

Net income attributable to the company increased by 8.8%to $195.2 million in the quarter ended July 1.

Profit rose to $2.81 per share — an increase of 14.1% over the second quarter of 2016. This beats the average analyst estimate of $2.52 per share.

As Canadian Tire imports a lot of overseas merchandise priced in U.S. dollars, a rise in the Canadian dollar will be beneficial for the company.

Strong growth of 10.7% is expected for the next five years.

Canadian Tire's stock has a return on equity of 14.85%. It is relatively cheap with a P/E of 15.2 compared to a P/E of 23.8 for its peers.

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3. TSX:CTC.A (Canadian Tire Corporation, Limited)

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