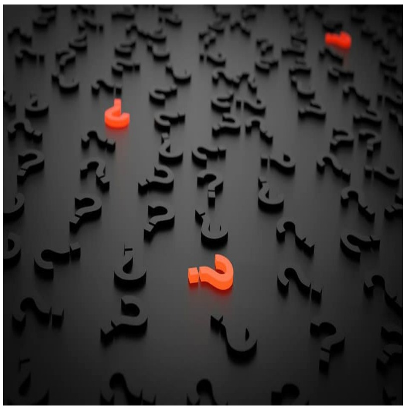

# RRSP Investors: Should Fortis Inc. or Royal Bank of Canada Be a Top Pick Today?

## Description



Canadians are searching for ways to set aside cash for a comfortable retirement.

One popular strategy, especially for investors with higher incomes, involves putting funds in RRSP accounts and buying dividend stocks.

RRSP contributions reduce annual taxable income, so you get to use the tax savings to help build your retirement portfolio. The maximum contribution is 18% of the prior year's earned income, up to a limit. For 2018, the maximum contribution is $26,230.

Reinvesting dividends in new shares can produce impressive results. In fact, the power of compounding can turn a modest initial investment into a nice cash stash for the golden years.

Let's take a look at **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) to see why they might be interesting picks.

Fortis owns natural gas distribution, power generation, and electric transmission assets in Canada, the United States, and the Caribbean.

The company gets most of its revenue from regulated assets, which means cash flow should be predictable and reliable. In addition, the stock tends to hold up well during times of economic uncertainty, as people will always need to turn on the lights and heat their homes.

Fortis plans to raise its dividend by at least 6% per year through 2022. The company has raised the payout every year for more than four decades, so investors should feel comfortable with the guidance.

The current distribution provides a yield of 3.6%.

A $10,000 investment in Fortis 20 years ago would be worth about $105,000 today with the dividends reinvested.

**Royal Bank**

Royal Bank earned about $2.8 billion in fiscal Q3 2017. That's not bad for three months of operations.

The secret lies in the company's balanced revenue stream, with strong personal and commercial banking, capital markets, and wealth management businesses.

Royal Bank is looking for strategic opportunities to grow, as we saw with its US$5 billion acquisition of City National. The purchase of the California-based company gave Royal Bank a strong platform to expand its presence in the private and commercial segment south of the border.

Royal Bank has a solid track record of dividend growth, and that trend should continue. The current dividend provides a yield of 3.6%.

Rising interest rates have some investors concerned the Canadian banks could be hit by housing defaults, but higher rates tend to be a net benefit for the sector, and Royal Bank's mortgage portfolio is capable of riding out a downturn.

A $10,000 investment in Royal Bank 20 years ago would be worth about $110,000 today with the dividends reinvested.



**Is one more attractive?**

Both stocks are proven dividend-growth picks for a buy-and-hold RRSP portfolio. At this point, I would probably split a new investment between the two companies.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
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2. NYSE:RY (Royal Bank of Canada)
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4. TSX:RY (Royal Bank of Canada)

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