Should Toronto-Dominion Bank or Suncor Energy Inc. Be in Your RRSP Today?

Description

Canadian savers are searching for ways to put some cash away for the golden years.

This wasn't always an issue, but the good, old days of finding full-time jobs for life at a single employer who provides a generous defined-benefit pension plan are pretty much history.

In the modern employment market, contract work with no benefits is common, and people tend to switch companies, or careers, more often than they did in the past.

As a result, Canadians are shouldering the responsibility for a larger part of their retirement planning.

One saving option involves owning quality dividend stocks inside an RRSP. This is particularly attractive to Canadians who currently find themselves in a high tax bracket.

Why?

The contributions to the RRSP can be used to reduce taxable income today, and when the funds are withdrawn down the road, they might be at a lower tax rate.

If not, things have probably gone well, and you won't be overly concerned.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to see if one is an interesting pick today.

TD

TD is widely viewed as the safest choice among the big Canadian banks due to its focus on retail banking. The personal and commercial banking segment tends to be less volatile than other areas, including capital markets activities, which can see volatile results from one quarter to the next.

TD also has a significant presence in the United States, which provides a nice hedge against apotential downturn in the Canadian economy. In fact, TD operates more branches south of the borderthan it does in the home country.

The company has a strong track record of dividend growth, and that trend should continue in line with the company's expected medium-term earnings per share growth of 7-10% per year.

TD's quarterly payout provides an annualized yield of 3.2%.

Suncor

Suncor has taken advantage of the oil rout to add strategic assets at very attractive prices, including the takeover of Canadian Oil Sands.

The string of deals has increased Suncor's share of production and growth opportunities in key oil sands operations, and this should bode well for Suncor and its investors over the long haul.

Suncor's production is also getting a nice boost from organic developments, including Hebron, which is currently shifting to commercial operations.

Aside from the oil sands and offshore production assets, Suncor also owns four large refineries and operates more than 1,500 Petro-Canada retail locations. These downstream assets have provided a nice revenue hedge during the downturn and are a big reason for Suncor's resilience over the past three years.

Suncor's stock currently trades for about $44 per share, which isn't too far off the 2014 peak when oil trades at US$100 per barrel.

The company has steadily increased its dividend, despite the tough times, and more distribution growth should be on the way as oil prices appear to have bottomed out.

Suncor's current distribution provides a yield of 2.9%.

Is one a better RRSP bet?

Both stocks are industry leaders with strong businesses that should continue to pay growing dividends.

If you are a strong oil bull, Suncor might be more attractive today, but the stock likely comes with higher risk.

Investors who want a safer play should probably make TD the first choice. The stock isn't cheap, but the U.S. exposure provides some protection against trouble in Canada, and rising interest rates should be a net benefit in the coming years.

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