RRSP Investors: 2 Dividend Stocks to Consider in 2018

Description

Canadian investors are searching for top-quality dividend stocks to add to their RRSP portfolios.

The strategy makes sense, especially when the distributions are used to purchase additional shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over time.

Let's take a look at **TransCanada Corporation** (TSX:TRP)(NYSE:TRP) and **Fortis Inc.** (TSX:FTS)(NYSE:FTS) to see why they might be interesting picks.

TransCanada

TransCanada bought Colombia Pipeline Group last year in a US$13 billion deal that added important assets in the Marcellus and Utica shale plays as well as strategic pipeline infrastructure, including a route that runs from Appalachia to the Gulf Coast.

The deal also provided a nice boost to the near-term capital program, which is currently about $24 billion.

As the new assets are completed and go into service, TransCanada expects cash flow to increase enough to support annual dividend hikes of at least 8% through 2021.

In addition, the company's Keystone XL pipeline project is back on the table. If Keystone gets the final green light, investors could see TransCanada provide an upward revision to the dividend-growth guidance.

The stock is down over the past month, giving new investors an opportunity to pick up a solid 4% yield.

Fortis

Fortis owns natural gas distribution, power generation, and electric transmission businesses inCanada, the United States, and the Caribbean.

The company has growth over the years through strategic acquisitions, and most of the recent spending has occurred in the United States. Fortis bought Arizona-based UNS Energy for US$4.5 billion in 2014 and acquired Michigan-based ITC Holdings last year for US$11.3 billion.

In addition, Fortis recently announced a $1.5 billion boost to the five-year capital plan, which now stands at $14.5 billion.

The new assets are performing as expected, and Fortis says its rate base should rise to about $32 billion in the next five years.

As a result, management intends to boost the dividend by at least 6% per year through 2022.

The company has increased the payout every year for more than four decades, so investors should feel comfortable with the guidance.

At the time of writing, Fortis provides a yield of 3.7%.

Is one a better bet?

Both stocks offer solid exposure to the United States and provide reliable dividends that should continue to grow. At this point, I would probably split a new investment between the two names.

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