2 RRSP Dividend Picks for Cautious Investors

Description

Canadians are starting to think about their 2017 RRSP contribution deadline and wondering which stocks might be good additions to their portfolios.

Equity markets have had a big run in the past year, and many pundits say a pullback is in the cards in 2018.

With this in mind, let's take a look at two stocks that tend to hold up well when the broader market hits a rough patch.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

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

The company has grown over the years through its strategic acquisitions, with most of the recent focus on assets in the United States. Fortis spent US$4.5 billion in 2014 to buy Arizona-based UNS Energy, and dropped US$11.3 billion last year to acquire Michigan-based ITC Holdings.

Management is also spending $14.5 billion over the next five years on a robust capital plan that should help boost the rate base to $32 billion.

Fortis plans to raise 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 be comfortable with the guidance.

The stock currently provides a yield of 3.7%.

Fortis is a good conservative bet. People need to heat their homes and turn on the lights regardless of the economic situation. In addition, the stock provides great exposure to the U.S. for investors who might be concerned about a potential downturn in Canada.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE closed its purchase of Manitoba Telecom Services earlier this year in a deal that bumped the giant into top spot in the Manitoba market and positioned the company to expand its presence in the western provinces.

BCE also just launched a new low-cost, prepaid mobile business, Lucky Mobile, and recently announced a deal to acquire home-security company AlarmForce.

BCE is primarily known for its phone, Internet, and TV services, but the company's media group is worth a mention. BCE owns sports teams, a television network, radio stations, specialty channels, and an advertising business, in addition to retail outlets.

When these assets are combined with the world-class wireless and wireline network infrastructure, you get a powerful company that has the capacity to interact with most Canadians every day.

BCE generates significant free cash flow to cover its generous dividend with the power to raise prices whenever it needs some extra funds.

The current payout provides a yield of 4.8%.

Canadians might cut back on some perks when times get tough, but the mobile phone, Internet, and TV would likely be the last to go in the event that the budget needs trimming.

Is one more attractive?

Both companies should be solid picks for conservative buy-and-hold dividend investors. At this point, I would probably split a new investment between the two companies.

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