2 Oversold Canadian Dividend Stocks to Start Your RRSP in 2018

Description

Canadian investors are searching for ways to put aside enough cash to enjoy a comfortable retirement.

In the past, young professionals could reasonably expect to find good full-time jobs with attractive pension benefits right after graduation. Today, contract work is more common, and when a full-time position finally comes along, pension plans can vary significantly, if they exist at all.

As a result, Canadians are taking on more responsibility for their retirement planning.

One popular strategy involves owning dividend stocks inside an RRSP and investing the distributions in new 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 **BCE Inc.** (TSX:BCE)(NYSE:BCE) **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) to see why they might be interesting picks right now.

BCE

BCE had a busy 2017.

The company purchased Manitoba Telecom Services in a deal that launched the giant into top spot in the Manitoba market and gave BCE a solid base to expand its presence in the Western provinces.

Later in the year, BCE announced its takeover of home-security provider AlarmForce. The deal makes a lot of sense, as BCE already has a relationship with millions of Canadian households.

Finally, the company launched Lucky Mobile, a new, low-cost postpaid mobile service that will compete with other providers in the segment.

As a result, BCE continues to widen its moat in the Canadian communications market, and investors should see strong free cash flow continue to support its generous and rising dividend.

The stock has come down in the past month amid concerns that higher interest rates could trigger a move of funds out of BCE and into fixed-income alternatives. Some money will likely shift, but BCE's 4.9% yield is much higher than any GIC will pay for quite some time, so investors who are hitting the sell button might be getting ahead of themselves.

Enbridge

Enbridge bought Spectra Energy last year in a $37 billion deal that created North America's largest energy infrastructure company.

Spectra added important gas assets and provided a nice boost to the capital program. In fact, Enbridge had more than $25 billion in near-term commercially secured projects under development as of Q3 2017.

The company expects to complete $22 billion in the next three years, which is good news for investors.

As the new assets go into service, Enbridge sees revenue and cash flow increasing enough to support annual dividend hikes of 10% through 2020.

The company has a long track record of dividend growth, so investors should feel comfortable with the guidance. At the time of writing, the distribution provided an annualized yield of 5.3%.

Enbridge is shifting its strategy to focus on regulated businesses, and has identified $10 billion in non-core assets it plans to sell, of which $3 billion will go on the block in 2018. The proceeds will be used to lower its debt and strengthen the company's balance sheet.

Should you buy?

Enbridge has bounced off the 2017 low, but the stock continues to trade well below the 12-month high and significantly lower than where it was trading in the spring of 2015. BCE's yield is approaching 5%, which should serve as a floor.

Dividend growth should help offset concerns about rising interest rates, and any change in the economic mood could trigger a flood of money back into these stocks.

If you are searching for buy-and-hold picks for your RRSP, I think BCE and Enbridge are attractive options today.

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