2 Dividend Stocks to Add to Your RRSP Right Now

Description

Canadian savers are searching for top companies to put in their RRSP portfolios.

One strategy involves buying dividend-growth stocks and using the distributions to purchase more shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over the course of two or three decades.

The best companies to own tend to have strong track records of dividend growth and are leaders in their respective markets.

Let's take a look at **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to see why they might be interesting picks.

TD

TD generated net income of more than $10 billion in fiscal 2017, and more good times should be on the way.

The company's success lies in its strong retail banking operations, both in Canada and the United States. Most people are familiar with the business here in the home country, but TD actually has more branches south of the border.

The American group provides more than 30% of TD's profits and serves as a nice hedge against any weakness in the Canadian economy.

TD's dividend has an average compound annual growth rate of about 10% over the past two decades, and the steady gains should continue. The current payout offers a yield of 3.25%.

Fears about a housing collapse are probably overblown, and rising interest rates should be a net benefit for the bank.

Suncor

Suncor isn't often cited as a dividend pick, but the company has a solid history of dividend growth, and additional hikes should be on the way.

The energy giant navigated through the oil rout relatively unscathed, due to the integrated nature of Suncor's business. The company is best known for its oil sands operations, but Suncor also operates refineries and more than 1,500 Petro-Canada retail stations.

The downstream assets provide a great hedge against tough times in the oil sands division, and that's why Suncor trades higher today than it did when oil was US$100 per barrel.

The company picked up some attractive assets for a song in the past couple of years and recently completed two major projects. As a result, production and cash flow could increase at a healthy clip in the coming years.

Is one more attractive?

At this point, I would probably split a new investment between the two names.

TD should benefit from rising interest rates and provides great exposure to the United States. Suncor has used the oil downturn to acquire new assets at distressed prices and is poised to see strong production growth just as oil recovers.

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