2 Top Canadian Dividend-Growth Picks to Boost Your RRSP Returns

Description

Canadian savers are searching for ways to set aside enough cash for a comfortable retirement, and the Registered Retirement Savings Plan (RRSP) is commonly used as part of the strategy.

In fact, Canadians have been putting money into RRSPs for decades. The move was always viewed as a supplement to company pension plans, but the new world of contract work and multiple careers has made the RRSP a much more important tool.

Owning dividend stocks is one popular way to get the most out of the RRSP. When the distributions are invested in new shares, investors can harness the power of compounding to turn modest initial investments into nice nest eggs over the course of 20 or 30 years.

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

Fortis

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

The company has focused most of its investments on the United States in recent years, and our neighbour to the south is now home to a majority of the company's assets.

This provides investors with great exposure to the U.S. through a Canadian company.

Fortis plans to raise the dividend by at least 6% per year through 2022. The company has raised the payout annually for more than four decades, so investors should be comfortable with the guidance.

At the time of writing, the stock provides a yield of 3.9%.

A $10,000 investment in Fortis 20 years ago would be worth about $85,000 today with the dividends invested.

TD

TD has also spent billions to build a strong U.S. presence. In fact, the bank now has more branches south of the border than it does in the home country.

The American division contributes more than 30% of TD's net income, so investors have a nice hedge against a downturn in the Canadian economy.

TD is widely viewed as Canada's safest bank for investors due to its heavy focus on retail banking activities, which tend to be more stable than other segments, such as capital markets.

TD's compound annual dividend-growth rate is about 10% over the past two decades, and investors should see the payout continue to rise in step with earnings growth.

Management expects to see earnings per share increase by at least 7% per year in the medium term. Rising interest rates could push the actual growth above the target, as higher rates tend to benefit the banks.

TD's current dividend provides a yield of 3.2%.

Long-term investors have also done well with this stock. A $10,000 investment in TD two decades ago would be worth more than $100,000 today with the dividends reinvested.

The bottom line

Dividend stocks are part of a balanced RRSP portfolio, and these two companies should continue to be strong holdings.

Growth stocks also play a part in the mix, and the one highlighted below might be worth a closer look.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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1. NYSE:FTS (Fortis Inc.)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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