RRSP Investors: 2 Unloved Dividend Stocks for Your Pension Portfolio

Description

Investors are looking at the recent pullback in the stock market and wondering whether some of Canada's top dividend names might be attractive RRSP picks today.

Let's take a look at **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) to see whether they deserve to be on your buy list.

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 to balance out Enbridge's heavy focus on liquid pipelines. The company also provided a nice boost to the capital plan.

In fact, Enbridge is working on $22 billion in near-term commercially secured projects that should be completed through 2020. As the new infrastructure goes into service, cash flow should improve enough to support annual dividend increases of at least 10% over that timeframe.

Enbridge has a long history of dividend growth. The company raised the payout by 15% in 2017 and recently bumped up the distribution by 10% for 2017 year, so investors should feel comfortable with the guidance.

Management is shifting the company's strategy a bit and plans to concentrate on the regulated businesses in the portfolio. As a result, Enbridge has identified $10 billion in non-core assets that will be sold; about $3 billion could go in 2018.

The company will use the proceeds to reduce debt and shore up its balance sheet.

Enbridge's stock is down amid the broad selloff in the energy infrastructure sector as investors fret about the potential impact of rising interest rates. Higher rates will bump up borrowing costs, but the pullback might be getting a bit out of hand.

At the time of writing, investors can buy Enbridge for $43 per share and pick up a 6.25% dividend yield.

BCE

BCE also had a busy 2017, and investors should see the benefits come through this year and beyond.

The company purchased Manitoba Telecom Services in the first half of 2017, and then announced the purchase of AlarmForce later in the year. In addition, BCE launched Lucky Mobile, its new low-cost prepaid wireless service.

Adding Manitoba Telecom Services gave BCE a strong base in central Canada, bumping the giant into the top spot in the Manitoba market.

The AlarmForce deal gives BCE another attractive service to bundle with its other household offerings, and could provide a nice revenue boost.

Rising interest rates might take a bite out of the funds available for distributions in the coming years, but BCE has the power to raise prices whenever it needs a bit of extra cash, so investors shouldn't be concerned about the safety of the payout.

The stock is back down to $56.50 per share, offering a yield of about 5%.

Is one more attractive?

Both companies pay above average dividends that should be safe. The recent downturn looks somewhat overdone in Enbridge at this point, so I would probably make the energy infrastructure the first pick today for a buy-and-hold RRSP dividend portfolio.

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