The Best RRSP Picks Regardless of Volatility

Description

With so many fantastic companies available to those who purchase shares in publicly traded companies, there is seldom a need to buy anything that is less than A-type quality. In Canada, there have traditionally been five to six major banks and three to four insurance companies that have topped this list. Filling out the category are the railways and, of course, several energy companies. The only caveat is that the energy companies should not be too vulnerable to swings in the price of resources.

At the top of the list is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), which, at a current price of $113.50, offers investors a dividend yield of more than 4.5%. The bank continues to expand its footprint into the United States; in spite of a market that has pulled back, the Canadian bank recently made a major acquisition of a U.S. wealth management firm that will pay dividends over time. To boot, as the bank needed to deploy its own capital for this acquisition, the return on equity may head higher over the coming months and quarters.

The second name on the list is none other than the very conservative **Great-West Lifeco Inc.** (TSX:GWO). It currently pays investors a dividend yield of no less than 4.5% and has a beta of less than 0.6. Investors receive something comparable to a long-term annuity with this investment, as the compounded annual growth rate of the dividend has been 16.9% over the past three years. With increasing dividends and relatively consistent payout ratios, shareholders on Great-West Lifeco have a lot to look forward to over the next decade — even if we go into a recession tomorrow.

The final name on the list is **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI), which, at close to a 52-week low of $95, is starting to make its way on to the radar of many dividend investors. Although the yield is no more than 2%, it should be noted that the payout ratio is a very reasonable 23% for the past fiscal year, and that the company has repurchased close to $7.3 billion in stock over the past four years. Clearly, investors could receive a much higher dividend yield if the company ever feels that doing so is the best approach.

Shares have come under pressure due to the current U.S. stance on matters surrounding the North American Free Trade Agreement (NAFTA) and what that would mean for the long-term fundamentals of our railroads. Although re-crafting NAFTA could be costly to Canada, we will continue to buy things, and those things will still need to be moved. However, there could be an even more lucrative buying opportunity for investors who remain patient.

As a friendly reminder, the 2017 RRSP deadline is Thursday, March 1, 2018.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:GWO (Great-West Lifeco Inc.)

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Date
2025/09/12
Date Created
2018/02/14
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