# Here Is How You Could Charge Up Your RRSP Portfolio

## Description

Building your nest egg through a Registered Retirement Savings Plan (RRSP) is one of the most effective ways for Canadians to save. Contributions you make to your RRSP are tax deductible, meaning they reduce your income tax liability each year.



The other advantage of investing through an RRSP for your retirement is that it could keep you more disciplined about saving, since withdrawing the funds from your RRSP early may result in you paying a lot more taxes. The CRA adds withdrawals from RRSPs before the retirement age to the taxable income for that year, which could balloon your tax bill.

Once you have decided to launch your RRSP portfolio, the next step is picking the right investments. If you're a long-term investor looking to build your RRSP portfolio, you should definitely consider investing in dividend-growth stocks. There are three main reasons why I like this type of investing.

First, a portfolio of dividend-growth stocks helps you grow your income quickly. As you receive dividend payouts, you should re-invest them back into the portfolio to buy more share of these companies. This strategy sets off a powerful compounding process, which not only grows your portfolio fast, but also provides a hedge against inflation.

Second, companies that offer regular dividend increases run mature and stable businesses. Rewarding investors on a regular basis also tells us a lot about the management's long-term philosophy. These are the companies that care about their reputation and want loyal investors.

Third, regular increases in dividends also tell us about a company's ability to predict its future. It would look very unprofessional and damaging for a management to hike dividends only to cut them after a couple of quarters.

**Top dividend-growth stocks**

In Canada, utilities, banks, and telecom operators provide a great mix for investors to get regular payout hikes without taking too much risk. Canadian utilities, such as **Fortis Inc.** (TSX:FTS)(NYSE:FTS) and **Enbridge Inc.**(TSX:ENB)(NYSE:ENB) boost their distributions regularly. They're among the safest picks for you to earn stable income, as most of their revenues are guaranteed from governments, and threats to their businesses are minimal.

Fortis, a gas and electric utility operator, has a 44-year history of dividend growth, and it plans to hike its payout at an annual rate of 6% through 2021. Similarly, Enbridge, the largest pipeline operator in North America, is targeting 10% dividend growth annually through 2020.

Canadian banks are another good source to earn steady dividend growth. Canada's top five banks operate in a healthy and growing business environment at home, and they're expanding their reach globally.

Growing dividend payouts is a main objective of their business strategy. On average, Canadian banks distribute 40-50% of their income to investors in dividends each year.

Among the five major Canadian banks, I particularly like **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Bank of Nova Scotia has delivered dividend increases 43 of the last 45 years — one of the most consistent records for dividend growth among major Canadian companies.



**The bottom line**

Picking some quality dividend stocks for your RRSP is a tested way to grow your retirement portfolio. A long-term investment horizon and regular contributions could charge up your RRSP and help you achieve your retirement objectives.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

**TICKERS GLOBAL**

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. NYSE:TD (The Toronto-Dominion Bank)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:ENB (Enbridge Inc.)
7. TSX:FTS (Fortis Inc.)
8. TSX:TD (The Toronto-Dominion Bank)

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