2 Top Dividend Stocks for RRSP Investors Today

Description

Canadian savers are searching for ways to set some serious cash aside for a comfortable retirement.

One popular option involves owning dividend-growth stocks inside your RRSP and investing the distributions in new shares. This strategy takes advantage of the power of compounding and can turn a modest initial investment into a nice nest egg over time.

Let's take a look at two Canadian companies that might be interesting picks today.

Fortis Inc. (TSX:FTS)(NYSE:FTS)

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

The company has grown through a combination of acquisitions and organic development, and that process continues today. The biggest deals in recent years have been in the United States, and Fortis now has more than half of its assets located south of the border.

Regulated businesses generate most of the company's revenue, so cash flow should be predictable and reliable.

Fortis is targeting annual dividend growth of at least 6% per year through 2022. The company has raised the payout every year for more than four decades, so investors should feel comfortable with the guidance.

At the time of writing, the stock provides an annualized yield of 4%.

A $10,000 investment in Fortis 20 years ago would be worth more than $75,000 today with the dividends reinvested.

Toronto-Dominion Bank (TSX:TD)(NYSE:TD)

TD is widely viewed as the safest pick among the big Canadian banks due to its heavy focus on retail banking activities.

Most people are familiar with the Canadian operations, but TD also has a significant presence in the United States, with locations running right down the east coast from Maine to Florida. In fact, the bank has more branches in the U.S. than it does in Canada.

The U.S. operations contribute more than 30% of TD's net income, providing a nice hedge against any potential downturn in the Canadian economy.

Some investors might be concerned that rising interest rates could trigger a decline in home prices. A total meltdown would certainly be negative for the banks, but most analysts predict a gradual pullback, and TD's mortgage portfolio is capable of riding out a downturn.

Overall, higher interest rates tend to be positive for the banks.

TD has a strong track record of dividend growth, and investors should see that trend continue. The stock currently provides a yield of 3.3%.

A $10,000 investment in TD two decades ago would be worth more than $90,000 today with the dividends reinvested.

The bottom line

There is no guarantee these two companies will deliver the same results over the next 20 years, but the strategy of owning quality dividend-growth stocks inside your RRSP and investing the distributions in new shares is a proven one over the long haul.

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