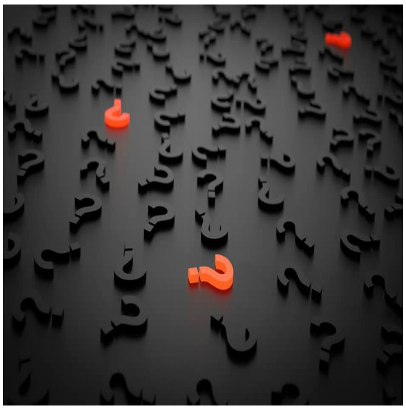

Enbridge Inc. vs. Royal Bank of Canada: Which Stock Is Better for Your RRSP?

Description

Canadians who are scrutinizing dividend stocks for their RRSP contributions this year have some tremendous opportunities available in the nation's banking and energy infrastructure sectors.

Let's find out which of the two top names — **Enbridge Inc.** (TSX:ENB)(NYSE:ENB) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) — should be on the top of your buy list for this year's RRSP contributions.

Enbridge

Enbridge operates the world's longest crude oil and liquids transportation system. Its extensive infrastructure helps North America's largest energy producers to move their products. The company is also a leader in gathering, transportation, processing, and storage of natural gas in North America, serving about 3.5 million retail customers in Ontario, Quebec, New Brunswick, and New York State.

Following $37 billion acquisition of Spectra Energy last year, Enbridge now has a very active pipeline of projects that are expected to generate strong cash flows. This deal has added very lucrative gas assets to the company's portfolio with a lot of growth opportunities. Enbridge plans to bring $22 billion worth of projects online in the next few years.

With over 60 years of dividend-distribution history, Enbridge is a staple stock for a large number of investors who hold the company's shares as a long-term investment. After a recent pullback in its stock price, Enbridge's annual dividend yield has reached over 6% at the time of writing — more than double what investors were getting in 2011.

RBC

Just like Enbridge, RBC is also a leader in the banking field. It's Canada's largest bank by market capitalization with a strong presence in the U.S.

Canadian banks are considered as one of the safest options to earn stable and growing dividend income. Canadian banks are some of the most reliable dividend payers around. RBC, for example, has paid distributions to shareholders every year since 1870.

In its first-quarter earnings announced on February 23, RBC surpassed analysts' expectations for profitability and delivered another dividend hike to investors. One distinctive feature that helps Canadian banks grow their earnings is their exposure to the U.S., which is the world's largest economy.

In the first quarter, for example, the Los Angeles-based City National Bank, which RBC acquired in 2015, contributed $114 million in profit — an increase of 97% from the same quarter a year earlier.

Which one is better for your RRSP?

I find both Enbridge and RBC great candidates for your RRSP. Enbridge's +6% dividend yield is particularly appealing after the past one-year weakness in its share price. Enbridge plans to grow its $2.68-a-share yearly dividend by 10% each year through 2020. Trading at $43.02 and with a forward P/E multiple of 18.5, I think Enbridge stock offers a good bargain for long-term investors.

RBC stock is on much more solid footing, benefiting from North America's rising interest rates and a robust economy. Its strong position in Canada and abroad makes the lender an attractive buy for RRSP investors. Trading at $101.69 and with an annual dividend yield of 3.58%, you can count on this lender for income growth for many years to come.

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