3 Top Canadian Dividend Stocks to Kickstart Your RRSP

Description

Canadian savers are searching for ways to boost the returns they generate in their retirement savings portfolios.

One popular option involves owning dividend-growth stocks inside your RRSP and investing the distributions in new shares. This sets off a powerful compounding process that can turn a modest initial investment into a nice nest egg over time.

Let's take a look at three stocks that deserve to be on your radar.

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

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

The company has grown through strategic acquisitions over the years, and most of the recent action has occurred in the United States, including the US$11.3 billion purchase of ITC Holdings in 2016.

Fortis also has a five-year $14.5 billion capital program in place that should boost the rate base enough to support steady dividend increases in the coming years.

In fact, management is targeting annual dividend growth of at least 6% through 2022. The company has increased the payout every year for more than four decades, so investors should be comfortable with the guidance.

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

Royal Bank of Canada (TSX:RY)(NYSE:RY)

Royal Bank reported fiscal 2017 profits of $11.5 billion. That's nearly $1 billion per month!

The company's success can be attributed to its balanced revenue stream. Royal Bank has strong personal and commercial banking, wealth management, capital markets, and insurance divisions.

Rising interest rates might put some pressure on homeowners in the next few years, but Royal Bank's mortgage portfolio is capable of riding out a housing downturn. Overall, higher rates tend to be positive for the banks.

The company has a strong track record of dividend growth, and that trend should continue. The current payout yields 3.7%.

TransCanada Corporation (TSX:TRP)(NYSE:TRP)

TransCanada has $24 billion in near-term projects on the go that should be completed through the end of 2021. As the new assets go into service, management expects revenue and cash flow to increase enough to support annual dividend hikes of at least 8% over that time frame.

In addition, the company is evaluating another $20 billion in longer-term developments. If those projects get the green light, investors could see a nice upward revision to the dividend-growth guidance.

The stock is down amid the broader pullback in the energy-infrastructure sector, giving investors an opportunity to buy TransCanada at an attractive price. At the moment, TransCanada provides a 4.9% yield.

The bottom line

All three stocks should continue to be solid buy-and-hold picks for a dividend-focused RRSP. At this point, I would probably split a new investment among the three companies.

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2. NYSE:RY (Royal Bank of Canada)
3. NYSE:TRP (Tc Energy)
4. TSX:FTS (Fortis Inc.)
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