RRSP Alert: 2 Top Canadian Dividend Stocks to Hold for Decades

Description

Canadian investors are searching for top dividend stocks to add their RRSP portfolios.

The strategy makes sense, especially when the distributions are used to buy 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 two top Canadian companies that might be interesting picks today.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN literally operates as the backbone of the U.S. and Canadian economies, transporting everything from crude oil to cars, lumber, consumer goods, and grain.

As the only North American rail company with networks connecting three coasts, CN has a competitive advantage, and that is unlikely to change anytime soon. Merger attempts in the sector tend to run into regulatory roadblocks, and the odds of new tracks being built along the same routes are pretty slim.

The company still has to compete with trucking companies and other rail carriers in some areas, so management works hard to ensure the business is running as efficiently as possible. CN recently purchased 60 new locomotives and is investing in network upgrades.

This business generates significant free cash flow, and CN does a good job of sharing the profits with investors through dividend increases and share buybacks. The company just raised the payout by 10% for 2018.

BCE Inc. (TSX:BCE)(NYSE:BCE)

BCE made two acquisitions and launched a new business in the past year.

First, the company purchased Manitoba Telecom Services in a deal that bumped the communications giant into top spot in the province and set BCE up with an important base in central Canada.

The company also bought home security company AlarmForce. The acquisition gives BCE a new portfolio of products and services to offer its large residential customer base.

Finally, BCE launched Lucky Mobile. The low-cost, pre-paid mobile offering is BCE's move back into the segment.

The new businesses should provide a nice boost to revenue and cash flow and help support the generous dividend. If BCE needs extra cash, it is large enough that it can simply increase its fees.

The current dividend provides a yield of 5.3%.

Is one a better bet?

Both companies should be solid buy-and-hold picks for a dividend-focused RRSP. At this point, the two stocks look somewhat oversold after their recent pullbacks, so I would probably split a new investment between CN and BCE.

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