2 Top Canadian Stocks to Begin Your RRSP Portfolio

Description

Canadian savers are searching for ways to build up a reasonable retirement stash to cover their living expenses in the golden years.

This wasn't always a huge concern, but changes in the employment and housing markets in Canada over the past 20 years have forced millennials and the younger members of GenX to get creative when it comes to retirement savings.

Why?

Their parents and grandparents likely found full-time jobs right out of college or university. Many of those people built entire careers with the same firm and have enjoyed generous pension benefits along the way.

In addition, the Boomers and older GenX crowd had an opportunity to buy homes early in their careers, and the significant rise in property values over the past 20 years has provided an additional retirement safety net.

Today, the world is a different place. Contract work is more common, and when a full-time gig finally comes around, the benefits can vary significantly. Even when permanent work with decent benefits is available, many young Canadians are now choosing to be self-employed or are more willing to switch careers or take extended breaks to pursue other interests.

As a result, retirement planning requires a bit more work.

One popular option involves buying dividend-growth stocks inside an RRSP and reinvesting the distributions in new shares. The strategy takes advantage of the power of compounding and can turn modest initial investments into a nice retirement fund over time.

Let's take a look at two stocks that might be interesting picks to get the ball rolling.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Bank of Nova Scotia has invested heavily in building a strong international business, with most of the focus on Mexico, Colombia, Peru, and Chile. The four countries have a total consumer base of more than 200 million people and are members of the Pacific Alliance, which is a trade bloc set up to promote the free movement of goods and capital.

As the middle class grows in the region, Bank of Nova Scotia should benefit from rising demand for loans and investment services.

The company already gets about 30% of its net income from the international operations, and that could grow in the coming years.

At 12 times trailing earnings, Bank of Nova Scotia trades at a discount to its larger peers, so investors might have an opportunity right now to pick up the stock at a reasonable price.

Bank of Nova Scotia has given shareholders a share of the profits for more than 100 years and has a strong track record of payout increases.

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

The sell-off in the energy infrastructure sector might be overdone, and investors currently have an opportunity to pick up Enbridge at what could turn out to be a very attractive price.

The company raised its dividend by 15% last year, hiked it by 10% for 2018, and anticipates strong dividend growth through 2020 as $22 billion in new projects are completed.

At the time of writing, the stock provides a yield of 6.4%.

Is one more attractive?

At this point, I would probably split a new investment between the two companies to get good exposure to Canada, the United States, and Latin America, while collecting attractive dividends that should continue to grow at a steady rate.

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