RRSP Investors: 3 Top Canadian Dividend Stocks to Build Retirement Wealth

Description

Canadians are trying to figure out how they are going to set aside enough cash to enjoy a comfortable retirement.

Preparing for the golden years has always been important, but the heavy lifting was historically done by a person's employer through the company's pension plan. The formula was quite simple; you got a job with a company that offered a defined-benefit plan, stayed there for 35 years, and retired with a generous guaranteed monthly payout.

Today, most pension programs are defined-contribution plans, which means the risk is shifted on to the shoulders of the employee. If the funds do not generate adequate returns, the pension payments might be smaller. In addition, many people now prefer contract work, which doesn't come with any pension benefits at all.

As a result, people are taking more responsibility for their retirement planning, and one popular strategy involves buying top-quality stocks inside a self-directed RRSP.

Let's take a look at three Canadian companies that should be solid picks to start.

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

TD just reported adjusted fiscal Q2 2018 net income of $3 billion. That's right; the big green machine makes about $1 billion per month!

The company is widely viewed as the safest pick among the Canadian banks due to its focus on retail banking activities. In addition, TD has spent billions to build a large U.S. operation, which provides a nice hedge against any potential weakness in the Canadian economy.

TD has a compound annual dividend-growth rate of better than 10% and increased the payout by 11.7% earlier this year. At the time of writing, the stock provides a yield of 3.5%.

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

TransCanada is working its way through $21 billion in near-term commercially secured projects, of which $11 billion should be in service by the end of 2018, and the remainder completed through 2021. As a result, management expects cash flow to improve enough to support annual dividend growth of at least 8% over that time frame.

Beyond 2021, TransCanada is evaluating an additional $20 billion in development opportunities, including Keystone XL, Coastal GasLink, and the Bruce Power life extension. If any one of these large projects goes ahead, the dividend-growth outlook could be revised upward.

TransCanada's current dividend provides a yield of 5%.

Suncor Energy Inc. (TSX:SU)(NYSE:SU)

Suncor is Canada's largest integrated energy company with oil sands, refining, and retail operations. The balanced revenue stream helped the company get through the oil rout in better shape than most of its peers, and management took advantage of the downturn to add strategic assets at attractive prices. In addition, Suncor was able to move ahead with a large capital program, including the recently completed Fort Hills and Hebron development projects.

Production is ramping up just as oil prices are recovering, and investors are seeing the benefits. Suncor raised the dividend by 12.5% earlier this year, and the increases should continue in the coming years.

The bottom line

All three stocks are market leaders with strong track record of growth and should continue to be solid buy-and-hold picks for a dividend-focused RRSP portfolio.

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