Undervalued Dividend Stocks Just Right for Your Retirement Fund

Description

Trawling through the undervalued stocks, today we see one familiar financials stock and one auto stock that trade war-conscious investors seem to be staying away from. The two picks listed here both pay dividends and have some small amount of earnings growth ahead of them.

Let's take a look at two of the best-valued dividend stocks on the TSX today and see which of them deserves to be in your passive income portfolio. The following are perfect for any retirement fund, be it an RRSP or RRIF, so investors looking to ease their twilight years with steady dividends may wish to consider either of these two stocks or both for a ready-diversified pairing.

Laurentian Bank of Canada (TSX:LB)

This financials stock is starting to get more airtime, which is no mean feat on a stock exchange dominated by massive high street banking stocks. Laurentian Bank is currently trading at a discount of 27% compared to its future cash flow value. There's more good news for value investors in the form of flawless multiples: a P/E of 8.3 times earnings, PEG of 0.9 times growth, and P/B of 0.9 times book.

While Laurentian Bank isn't one for investors looking for high growth, with a low 9.6% expected annual growth in earnings, it's a great choice for anyone shopping around for passive income. Laurentian Bank is currently offering a tasty dividend yield of 5.49%.

AutoCanada Inc. (TSX:ACQ)

You may have heard that auto stocks are in for a battering if the U.S. goes ahead with tariffs on imports from the Canadian auto industry. Well, there seems to be some indication that this may not transpire, so stocks like AutoCanada may have been needlessly discounted. However, that's good news for value investors looking to pick up some battered dividend stocks to stash in their RRSPs or RRIFs.

Discounted by 16% compared to its future cash flow value, AutoCanada has a great set of value fundamentals to back it up: a P/E of 6.7 times earnings, PEG of 0.7 times growth and a P/B ratio of 0.8 times book. Again, like Laurentian Bank, AutoCanada has low growth: a 9.5% expected annual growth in earnings. Still, at least that's positive, and overall, round AutoCanada is looking like a decent stock at the moment.

Expect some added upside, too, if auto tariffs are categorically taken off the table; auto stocks are likely to surge on good feeling if this happens. The real draw for this stock is a dividend yield of 2.79%, making AutoCanada just right for a retirement fund, a TFSA or both.

The bottom line

These two stocks don't seem to go together on the face of it, but for a diversified portfolio, they make an interesting couple. For passive income, these two stocks are a great pick; they're a great choice for value investors, too.

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2. TSX:LB (Laurentian Bank of Canada)

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