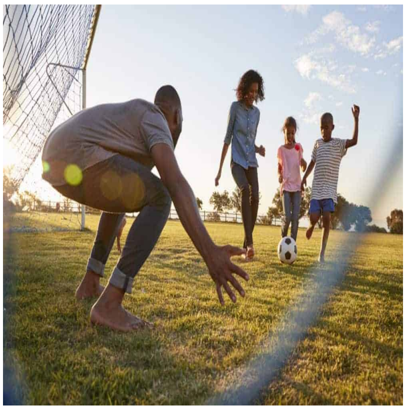

This Stock Could Be a Retirement Game Changer!

Description

TransCanada Corporation (TSX:TRP)(NYSE:TRP) has been making major headlines lately. Although you may not recognize the company by name, you've probably heard of its biggest current project: the Keystone XL Pipeline. Keystone is an oil and gas pipeline that, under TransCanada's proposal, would transport 830,000 barrels of oil per day from Alberta to Nebraska.

The project has been controversial, to put it mildly. Activists bemoaned the pipeline's environmental consequences, and until recently, U.S. lawmakers refused to approve the project. But having recently obtained a green light from Washington, TransCanada is ready to move forward with Keystone.

With this news comes a new incentive for investors to consider the stock. Keystone could add billions to the company's bottom line, and despite possible political hurdles, appears likely to go ahead. While TransCanada might not be the best play for the environmentally conscious, the stock has many features that make it a solid long-term play for your RRSP or TSFA.

Strong growth prospects

The most obvious thing TransCanada has going for it is growth prospects. Assuming the project doesn't encounter more political opposition, Keystone will be a game changer for the company.

Keystone is projected to transport 830,000 barrels of oil per day upon completion. At current prices, that's around $60 million a day worth of oil being transported across the pipeline. A significant portion of that will go to TransCanada, being the sole owner of Keystone, which will help increase the company's revenue significantly.

Solid financial performance

Even without Keystone, TransCanada already has a solid balance sheet. The company has a profit margin of 23.48% and an operating margin of 37%. Both of these figures are well above average, indicating that the company turns a healthy profit on its operating costs. The ROE figure is 12.27%, which is generally considered healthy.

TransCanada's stock is also priced fairly low compared to (past) earnings, with a trailing P/E ratio of 17.12. The forward P/E ratio is a little higher due to investment costs associated with Keystone.

A generous dividend

One feature that makes TransCanada a worthy stock for a retirement portfolio is its dividend. At $2.76 per share, it gives a yield of 4.70% at the time of writing. This is well above average, and may even increase as Keystone starts generating revenue for the company.

Ready for investments

Lastly, TransCanada is well positioned to make future investments. The company has a "stable" credit rating from Standard & Poor's, Fitch and DBRS, which means it can reliably raise money to pay for future projects or acquisitions. The company also has $1.81 billion in cash on hand, most of which will probably be spent on further developing the Keystone pipeline.

Overall, TransCanada is a company with stable earnings and strong growth prospects that is well positioned to profit from its massive Keystone XL project. The stock pays a generous dividend with a yield of 4.70%. Regulatory challenges must be considered when analyzing a stock like this. But all in all, solid income and long-term growth prospects make it a worthy pick for your RRSP or TSFA.

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