3 Dividend-Growth Stocks for a Balanced RRSP Fund

Description

A basket of diversified stocks held inside a self-directed RRSP portfolio can help investors build savings for the golden years.

Let’s take a look at three Canadian companies that provide exposure to different sectors and have significantly increased their dividends in 2018.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

CNRL probably has the best portfolio of energy assets in Canada. The company owns oil sands, conventional oil, and naturals gas production facilities throughout the top oil and gas plays in the country. CNRL also operates sites in the North Sea and Offshore Africa.

CNRL holds a 100% ownership position in most of its assets, giving the company the flexibility to move capital quickly and take advantage of the best opportunities in the industry when market prices fluctuate. The company reported Q2 2018 adjusted net earnings of $1.279 billion compared to $332 million in the same period last year. A rebound in oil prices is boosting cash flow, and CNRL is sharing the spoils with investors.

The company raised the dividend by 22% to $0.335 for 2018 and is buying back up to 5% of the outstanding common shares. The current dividend provides a yield of 3%.

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

TD is widely viewed as being the safest pick among the big Canadian banks. This is primarily due to its heavy focus on retail banking, which tends to be more stable and carries less risk that other segments, such as capital markets activities.

TD's Canadian operations are best known to investors, but the bank has also built a substantial U.S. presence over the past decade and is now a top-10 bank in the country. In fact, TD has more branches in the U.S. than it does in Canada. The American business generates more than 30% of TD's net income, giving investors a nice hedge against potential weakness in the Canadian economy.

Some investors think rising interest rates will hit the Canadian housing market and trigger a sell-off in the banks. It's true that a total meltdown in house prices would be negative, and TD has a large Canadian residential mortgage portfolio, but the likely scenario is a soft landing, and TD is capable of riding out a housing downturn.

Management is targeting 7-10% earnings growth over the medium term, and TD raised the 2018 dividend by nearly 12%, so the company appears to be positive on the revenue outlook. At the time of writing, TD's dividend provides a yield of 3.4%.

Algonquin Power and Utilities (TSX:AQN)(NYSE:AQN)

Algonquin Power owns renewable energy and natural gas distribution assets. The company has an aggressive growth strategy driven by acquisitions and is also boosting the asset base through organic developments. Most of the businesses are located in the United States, giving investors a good opportunity to get access to the sector south of the border through a Canadian company.

Algonquin Power raised its dividend by 10% in May. The current payout provides a yield of 5%.

The bottom line

CNRL, TD, and Algonquin Power have all increased their distributions by double digits this year, and investors should see the trend continue.

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1. Dividend Stocks
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2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:AQN (Algonquin Power & Utilities Corp.)
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