New RRSP Investors: 2 Oversold Dividend Stocks for a Balanced Retirement Fund

Description

Canadian savers are using their Registered Retirement Savings Plans to set some cash aside for the future. One popular RRSP strategy involves owning dividend stocks and using the distributions to buy more shares, thereby taking advantage of the power of compounding interest.

Ideally, we want to buy solid companies when they are cheap rather than at the peak of a rally. Let's take a look at two unloved stocks that might be interesting picks right now to launch a self-directed RRSP focused on dividends.

Power Financial Corp. (TSX:PWF)

Power Financial is an attractive pick for investors who want to own a handful of top-quality Canadian financial stocks through one position. The company owns a majority interest in **IGM Financial** and **Great-West Lifeco**, which in turn own a portfolio of well-known wealth management and life insurance businesses. In addition, Power Financial gives investors exposure to a number of Europe's top global businesses (**Adidas**, **Total**, **Pernod-Ricard**) through a position in **Pargesa**.

Finally, Power Financial owns more than 80% of industry disruptor Wealthsimple Financial.

Net earnings for Q2 2018 came in at $658 million, compared to $545 million in Q2 2017, supported by strong performances in Great-West Lifeco and IGM. Going forward, the good times should continue, as rising interest rates tend to bode well for insurance companies and wealth management businesses.

Power Financial raised the dividend by 5% earlier this year. The current payout provides a yield of 5.8%.

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

Enbridge is a contrarian pick today, but acquiring top-quality companies when they are out of favour can produce some impressive results for buy-and-hold investors.

Management is making good progress on a strategy shift that should take some risk out of the revenue stream. The company is focusing on its regulated assets and is monetizing non-core businesses that do not fit the new model. The original goal for 2018 was to sell $3 billion in assets. Demand has been steady, and Enbridge has already sold or has deals in place for $7.5 billion.

Proceeds are being used to reduce debt and fund ongoing capital projects that are in line with the new strategy.

Enbridge raised the dividend by 10% in 2018 and is expected to continue its track record of annual increases as new assets go into service. The current payout offers a yield of 6%.

Bottom line

Power Financial and Enbridge are trading at reasonable prices and pay growing dividends that appear to be safe. If you are have a buy-and-hold investing strategy, these stocks deserve to be on your RRSP radar.

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