Should You Buy Suncor Energy Inc. (TSX:SU) or Toronto-Dominion Bank Stock (TSX:TD) for Your RRSP?

Description

Canadian savers are using self-directed RRSP accounts to invest in top-quality dividend stocks as a way to grow their retirement funds.

Let's take a look at **Suncor Energy** (TSX:SU)(NYSE:SU) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) to see if one deserves to be in the portfolio right now.

Suncor

Oil has staged a nice recovery over the past year, and the stabilization of the WTI price in the range of US$65-70 is putting some serious cash into the pockets of Suncor's investors.

The company bought Canadian Oil Sands at a very attractive price during the downturn, securing a majority stake in Syncrude. In addition, Suncor increased its ownership in Fort Hills and has taken strategic positions in offshore development opportunities. Production is set to increase significantly as Fort Hills and Hebron ramp up to capacity output after being completed late last year.

On the downstream side, Suncor's refining and marketing operations continue to provide a nice hedge against any negative movements in oil prices.

Overall, Suncor is putting up some great numbers. The company generated funds from operations of $2.9 billion in Q2 2018, representing the strongest second-quarter cash flow in the company's history. Operating earnings were $1.19 billion and net earnings came in at $972 million.

Oil prices could move higher in the coming months and through 2019, as new U.S. sanctions against Iran go into effect.

Suncor raised its dividend by 12.5% for 2018, and investors should see another big increase next year, given the strong cash flow and stable oil prices.

TD

TD is a popular pick for RRSP investors, as it is widely considered to be the safest Canadian bank to own. The reason lies in the company's strategy of focusing on retail banking activities for the largest part of its revenue. This segment tends to be less volatile than capital markets activities, which are responsible for more than 20% of the earnings for some of TD's peers.

TD's large U.S. operation also makes the stock attractive, especially in the current environment of falling U.S. taxes, rising interest rates, and a strong American economy. This provides some protection against a potential downturn in Canada that could be triggered by a housing downturn or an unfavourable outcome in trade negotiations with the United States. The American business generates more than 30% of TD's profits.

TD regularly beats its 7-10% earnings-per-share growth target. The bank also has a strong track record of raising the dividend, with a double-digit compound annual average increase in the payout over the past two decades. The current distribution provides a yield of 3.4%.

Is one more attractive?

At this point, I would probably split a new RRSP investment between Suncor and TD. Both companies are industry leaders and should continue to generate strong profits and grow their dividends at rates that outpace most of their peers.

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