



## Should Suncor Energy Inc. (TSX:SU) or Royal Bank of Canada (TSX:RY) Stock Be in Your RRSP Today?

### Description

Canadian savers are using their self-directed RRSPs to set some cash aside to supplement their government and employment pensions.

One strategy involves owning [dividend stocks](#) and using the distributions to acquire additional shares. This takes advantage of a powerful compounding process that can significantly grow the initial investment over the course of a few decades.

Let's take a look at **Suncor** ([TSX:SU](#))([NYSE:SU](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) to see if one deserves to be on your buy list.

### Suncor

Savvy investments made during the downturn are delivering some nice returns for Suncor and its shareholders now that oil prices have staged a major recovery.

The company pushed ahead with the construction of both the Fort Hills and Hebron during the oil rout, despite analyst concerns about the ability of the projects to be profitable if oil didn't rebound. As it turned out, Suncor completed both sites late last year, just as oil was on the upswing, and both facilities are now ramping up to capacity production ahead of schedule.

With WTI oil now trading above US\$70 per barrel and Suncor's production rising, the cash flow situation is starting to look impressive. This is why management raised the dividend by 12.5% for 2018 and recently increased the amount of money the company will spend to buy back shares.

In the event oil prices reverse course, investors have a hedge through Suncor's refining and marketing divisions. The integrated nature of the company is one reason the stock fared much better than many of its peer when oil prices plunged.

Suncor's dividend provides a yield of 2.8%.

## Royal Bank

Royal Bank made a US\$5 billion investment in late 2015 to acquire California-based commercial and private bank City National. The deal looked expensive at the time but has turned out to be a smart move. The U.S. banking sector took off in the subsequent years, and recent tax cuts coupled with rising interest rates should provide a nice boost to Royal Bank's results in the coming years.

The company continues to deliver impressive numbers, with year-over-year profits rising 11% in fiscal Q3 2018. Royal Bank has a diversified revenue stream, supported by strong personal and commercial banking, wealth management, capital markets, investor and treasury services, and insurance divisions.

Management is targeting medium-term annual earnings-per-share growth of 7-10%, so the dividend increases should continue at a steady pace. At the time of writing, the stock provides a [yield](#) of 3.7%.

### Is one a better bet?

Suncor and Royal Bank are both leaders in their respective industries and should deliver solid long-term results. If you are not an oil bull, Royal Bank is likely the better choice. Otherwise, I would probably split a new RRSP investment between the two companies.

Other top stocks are also attractive buy-and-hold picks today.

### CATEGORY

1. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:RY (Royal Bank of Canada)
4. TSX:SU (Suncor Energy Inc.)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Investing

### Tags

1. Editor's Choice

Date

2025/09/11

Date Created

2018/09/26

Author

aswalker

default watermark

default watermark