RRSP Investors: 3 Dividend Stocks to Own for 25 Years

Description

Canadian savers are searching for top stocks to buy inside their self-directed RRSP portfolios.

The RRSP has fallen out of favour in recent years with the arrival of the TFSA, but the account still has advantages, especially for people who are at a point in their careers where they find themselves in a higher marginal tax bracket.

Let's take a look at three stocks that might be interesting buy-and-hold RRSP picks right now.

Hydro One (TSX:H)

It has been quite a year for Hydro One and its investors. The company saw its CEO and entire board of directors resign after the provincial election in Ontario, but now that a new group is in place, things are getting back on track.

The company reported solid Q2 2018 results. Revenue rose to $1.477 billion from $1.371 billion in the same period last year. Diluted earnings per share jumped more than 50% to $0.33.

The company continues to work through its efforts to acquire U.S.-based electricity and natural gas provider **Avista**. The transaction end date has been extended to March 29 next year, but both companies are targeting a closing of the deal by the end of Q4 2018.

Hydro One raised its dividend by 5% in 2018. With earnings on the rise and the Avista deal expected to close, investors could see a nice increase to the payout next year. The current distribution provides an annualized yield of 4.75%.

The stock is down from a 12-month high of $23 to just above $19 per share, so there could be some nice upside on the way when the Avista deal settles.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC has a reputation for being the risky pick among the big Canadian banks. It is true that the bank has a higher exposure to the Canadian housing market than its larger peers, but investors might not fully appreciate the work management has done to balance out the revenue stream.

CIBC bought Chicago-based PrivateBancorp last year in a US$5 billion deal that gave the company a strong base in the U.S. to expand its presence in the country. While a property crash in Canada would certainly be negative, the overall housing market is holding up better than many people expected in the face of rising interest rates.

CIBC's stock is down from $124 per share less than a month ago to about $116. That puts the price-to-earnings ratio at about 10 times, which is cheap compared to the other big banks. Investors who buy today can pick up a dividend yield of 4.7%.

TransCanada (TSX:TRP)(NYSE:TRP)

TransCanada traded for $63 per share a year ago. Today investors can pick it up for $52 and get a nice 5.3% yield. The company has $22 billion in near-term projects on the go and just announced it will go ahead with the $6 billion Coastal GasLink pipeline to supply natural gas in B.C. to the new $40 billion LNG Canada facility that is being built in Kitimat.

As the new assets go into service, cash flow should rise enough to support TransCanada's targeted 8-10% per year increase in the distribution.

The bottom line

Hydro One, CIBC, and TransCanada all pay attractive dividends that should continue to grow at a steady rate. The three stocks have pulled back to the point where they might be interesting picks today for a buy-and-hold RRSP portfolio.

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