3 Stocks to Start Your RRSP Portfolio Today

Description

Canadian savers are using their self-directed RRSP accounts to set aside some additional funds for retirement.

The strategy can result in a significant cash stash when top-quality stocks are held for two or three decades and distributions are used to acquire new shares.

Let's take a look at three companies that might be interesting RRSP picks today.

Canadian Pacific Railway (TSX:CP)(NYSE:CP)

CP had a rough start to 2018, but the company made it through a rough winter and challenging employee contract negotiations.

With the new labour agreement in place, management is now squarely focused on making operations more efficient, and CP is investing funds required to drive future growth. In fact, the company is allocating $1.6 billion per year through 2020 for capital expenditures.

CP reported solid Q3 2018 earnings. Revenue rose 19% to $1.9 billion in the quarter compared to the same period last year, supported by revenue growth in all of the company's main business segments. Operating income increased 27% to $790 million.

The company raised its full-year guidance for 2018, and investors should see the good times continue. The Canadian and American economies remain healthy and pipeline bottlenecks in Canada should bode well for CP's oil-by-rail segment.

The board increased the dividend by 15.5% earlier this year and just announced a new share-buyback program that will see the company repurchase up to 4% of the outstanding shares over the next 12 months.

Rogers Communications (TSX:RCI.B)(NYSE:RCI)

Rogers is a leader in the Canadian communications industry, providing mobile, TV, and internet services to customers across the country. The company also has a media division that includes a heavy focus on sports. Rogers owns the Toronto Blue Jays and is a partner in Maple Leaf Sports and Entertainment (MLSE), which owns the other major professional sports franchises in Toronto, including the Leafs and the Raptors.

The company reported Q3 2018 revenue growth of 3% compared to last year and raised its full-year 2018 guidance for adjusted EBITDA growth and free cash flow growth. Rogers generated $550 million in free cash flow in the quarter.

Management is working hard to improve customer service, and the efforts are showing up in the numbers. Postpaid wireless churn fell to the lowest level in nine years, and the company added 134,000 net new postpaid mobile customers in the third quarter.

As data demand increases, Rogers should see revenue continue to grow in the mobile division. Blended average revenue per user increased 3% in Q3 on a year-over-year basis.

TransCanada (TSX:TRP)(NYSE:TRP)

TransCanada is a contrarian pick today amid the broader sell-off in the energy infrastructure sector, but the drop in the stock price looks overdone.

Why?

TransCanada is working through $28 billion in near-term developments and recently announced it will go ahead with the $6 billion Coastal GasLink pipeline in British Columbia. As the new projects go into service, cash flow should improve enough to support dividend growth of at least 8% per year over medium term. The current dividend provides a yield of 5.4%, so you get paid well to wait for sentiment to improve.

The bottom line

CP, Rogers, and TransCanada are all leaders in their respective industries and should be solid buy-and-hold picks for a self-directed RRSP portfolio.

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3. TSX:CP (Canadian Pacific Railway)
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