



## Should Suncor Energy Inc. (TSX:SU) or Fortis Inc (TSX:FTS) Stock Be in Your RRSP?

### Description

Canadian savers are searching for ways to set aside enough cash to enjoy a comfortable [retirement](#).

One popular strategy involves owning top-quality dividend stocks in an RRSP portfolio. Investors can use contributions to reduce taxable income and hopefully watch the investments grow to become a significant nest egg over the course of 20 or 30 years.

Let's take a look at two top stocks in the TSX Index that might be interesting picks for your portfolio right now.

#### **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#))

All the news about pipeline bottlenecks and low Western Canadian Select oil prices might deter investors from buying Canadian oil producers, but the impacts vary significantly across the industry.

Suncor, for example, is able to get WTI or Brent pricing for most of its production due to its integrated business groups and its ability to move product to the U.S. Gulf Coast.

The refineries and retail operations enable Suncor to process its production and sell the end product at global market prices. In addition, Suncor ships production by rail and has other agreements in place that enable it to offset or avoid the widening of heavy crude differentials in Alberta.

Suncor reported strong Q3 2018 numbers and the good times look set to continue. Funds from operations came in at \$3.1 billion and the company generated \$1.8 billion in net earnings, compared to \$1.3 billion in Q3 2017.

Production is rising due to the completion of two large projects, and Suncor is benefiting from the addition of strategic assets acquired during the downturn. Fort Hills is now at capacity output and Hebron continues to ramp up.

The company reduced total debt by \$1.2 billion in the quarter and repurchased \$889 million in shares.

Investors received a 12.5% dividend increase in 2018 and should see another big move in the payout next year, now that two major capital programs are complete and the balance sheet is in even better shape.

The current dividend provides a [yield](#) of 3.2%.

**Fortis** ([TSX:FTS](#))([NYSE:FTS](#))

Fortis owns natural gas distribution, electricity generation, and power transmission assets primarily located in Canada and the United States.

Most of the revenue comes from regulated businesses, which is great for investors who want to own a company that can generally ride out economic turbulence better than the broader market.

Cash flow tends to be predictable, and the company grows through acquisitions and organic developments. For example, Fortis is working through a five-year capital program that should boost the rate base enough to support annual dividend increases of at least 6%.

The current payout provides a yield of 4%.

**Is one a better bet?**

Suncor and Fortis should both be solid picks for a self-directed RRSP portfolio. Fortis is probably the safer choice, but Suncor likely offers more upside potential, both in share price appreciation and dividend growth. I would probably split a new investment between the two companies today.

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aswalker

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