New RRSP Investors: 3 Top TSX Index Dividend Stocks to Start Your Retirement Fund

Description

Canadian savers are searching for top-quality stocks to hold inside a self-directed RRSP portfolio.

Let's take a look at three companies on the TSX Index that have long track records of paying reliable and growing dividends.

Bank of Montreal (TSX:BMO)(NYSE:BMO)

Bank of Montreal is Canada's oldest bank, yet many investors ignore the stock in favour of its larger peers in the Canadian market. In the current economic situation in Canada and the United States, that might not be a wise move.

Why?

Bank of Montreal has a lower relative exposure to the Canadian housing market than a number of the other big Canadian banks. If house prices take a big hit in the next few years, Bank of Montreal should see less of an impact.

In addition, Bank of Montreal's large American operations provide a nice hedge against a downturn in Canada. The company made its first foray into the U.S. in the early 1980s when it bought Harris Bank, and strategic acquisitions over the years have built BMO Harris Bank into a significant player with more than 500 branches, primarily located in the U.S. Midwest.

Bank of Montreal has paid a dividend every year since 1829. The current payout offers a yield of 3.9%.

A $10,000 investment in Bank of Montreal 20 years ago would be worth more than $70,000 today with the dividends reinvested.

Canadian National Railway (TSX:CNR)(NYSE:CNI)

CN serves an important role in the workings of the Canadian and U.S. economies, transporting goods of all types, including raw materials and finished products. The company owns tracks that connect three coasts, giving its domestic and international customers access to key distribution hubs across Canada and right through the heart of the United States.

CN recently announced a deal to buy a trucking company amid plans to expand its shipping capabilities. CN is also investing heavily in new rail cars, locomotives, and infrastructure upgrades to ensure it can meet demand and operate efficiently.

The company generates significant free cash flow and uses a good chunk of the profits to reward shareholders. The compound annual dividend-growth rate over the past two decades is about 16%.

An investor who purchased $10,000 in CN stock 20 years ago would have about $230,000 today with the dividends reinvested.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis is a major utility company with $50 billion in assets located in the United States, Canada, and the Caribbean. The businesses include power generation, electric transmission, and natural gas distribution networks that mostly operate in regulated environments, which means cash flow is generally reliable and predictable.

Growth comes through strategic acquisitions and organic investments. The current five-year $15.1 billion capital plan should boost the rate base enough to support annual dividend hikes of 6%. Fortis has raised the payout for more than 40 consecutive years. The current yield is 4%.

A $10,000 investment in Fortis 20 years ago would be worth more than $90,000 today with the dividends reinvested.

The bottom line

There is no guarantee Bank of Montreal, CN, and Fortis will generate the same returns over the next two decades, but all three companies should continue to be solid picks for a buy-and-hold RRSP portfolio.

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