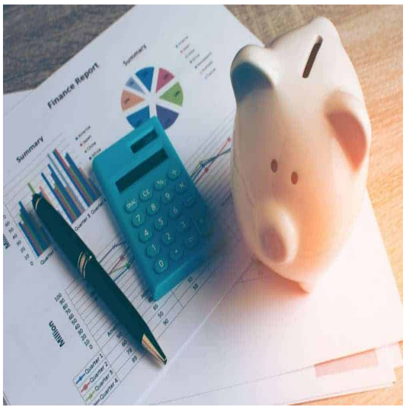

RRSP Investors: 3 Dividend Stars to Help You Build a Retirement Fund

Description

With RRSP season just around the corner, Canadian savers are searching for quality dividend stocks to put in their self-directed RRSP portfolios as part of a long-term retirement plan.

Let's take a look at three top Canadian dividend stocks that might be interesting picks right now.

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

Bank of Montreal is Canada's oldest bank and has given investors a share of the profits every year since 1829.

The bank has a balanced revenue stream coming from personal and commercial banking, wealth management, and capital markets operations. The American division is of particular interest, as it provides a nice hedge against potential trouble in the Canadian economy.

Bank of Montreal's BMO Harris Bank has more than 500 branches in the United States. The group contributes 28% of Bank of Montreal's adjusted earnings and delivered a 26% year-over-year gain in profits in fiscal Q4 2018. Overall, the Q4 adjusted net income rose 9%.

The company repurchased one million shares in the quarter and just announced an increase to the dividend. The payout provides a yield of 4.5%.

The stock is down to $90 per share from $108 in September amid a broad pullback in the banking sector. This puts the 12-month trailing price-to-earnings ratio below 11, which should be attractive given the ongoing strength of the Canadian and U.S. economies.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

CNRL probably owns the best portfolio of energy resources in Canada. The company has oil sands, heavy oil, light oil, natural gas, and natural gas liquids operations located in the best plays in the country. In addition, CNRL has assets in the North Sea and offshore Africa.

Management does a good job of allocating capital to opportunities that offer the best returns based on changing market conditions. The flexibility helps the company ride out fluctuations in the commodity markets. CNRL has a strong balance sheet and can take advantage of difficult conditions to acquire strategic assets at attractive prices.

The company generates strong cash flow and raised the dividend in 2018 by 22%. The stock is down from $49 in July to about $33.50 at the time of writing. That puts the current dividend yield at 4%.

More volatility might be on the way in the near term, but the pullback in the oil market appears overdone, and we could see a meaningful recovery in 2019.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis has increased its dividend every year for more than four decades. That's the kind of dividend reliability RRSP investors search for when putting together buy-and-hold portfolios.

The company grows through strategic acquisitions and organic developments. Most of the businesses operate in regulated markets, meaning the revenue stream and cash flow should be stable. Fortis has a large five-year capital program on the go that is expected to significantly increase the rate base. This should support dividend increases of at least 6% per year through 2023.

The stock has performed very well during the recent pullback in the broader market. Investors who buy Fortis today can pick up a yield of 3.9%.

The bottom line

Bank of Montreal and CNRL appear oversold and Fortis is a solid low-beta pick. All have strong track records of dividend growth that should continue in the coming years.

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aswalker