3 Dividend Stocks for Your RRSP in 2019

Description

Canadian savers are searching for top-quality dividend stocks to add to their self-directed RRSP portfolios.

In recent years, it has been difficult to find good value, but the pullback in the broader market that occurred through the end of 2018 has finally given investors a chance to pick up top stocks at reasonable prices.

Let's take a look at three dividend-growth stocks that might be interesting RRSP picks right now.

Fortis (TSX:FTS)(NYSE:FTS)

Fortis started out as a small east coast electricity company but has grown to become a major player in the North American utility sector with $50 billion in assets spanning the power generation, electric transmission, and natural gas distribution sectors.

Most of the revenue comes from regulated businesses, making cash flow relatively predictable and reliable. That's important for dividend investors who expect to see steady payouts.

Fortis grows through acquisitions and organic developments. Two big takeovers in the United States in the past four years have provided a nice boost to revenue and balanced the geographic presence. In addition, Fortis is working through a five-year $17.3 billion capital program that will boost the rate base enough to support annual dividend increases of 6%.

Investors have received a distribution hike for 45 straight years, so the guidance should be solid. At the time of writing, the stock provides a yield of 4%.

Manulife Financial (TSX:MFC)(NYSE:MFC)

Manulife had a rough time during the Great Recession, but management learned some important lessons and has taken measures to reduce risk in the event of another meltdown.

The company reported strong results in Q3 2018 and raised the dividend by 14% for 2019. That means the executive team is confident about the revenue and earnings outlook. The dividend provides a yield of 4.9%.

The stock dropped in 2018 amid a broad sell-off in the financial sector. Bargain hunters have started to buy Manulife again in recent weeks, but more upside should be on the way. Manulife trades at $20 per share compared to $27 a year ago.

Enbridge (TSX:ENB)(NYSE:ENB)

Enbridge embarked on a strategic shift in 2018 that simplified the company structure and began a process of monetizing non-core assets in a bid to focus on the regulated businesses. Four subsidiaries have been brought under the umbrella of the parent company, which should make it easier for analysts and investors to evaluate Enbridge. At the same time, the company announced deals to sell nearly $8 billion of the $10 billion in non-essential assets it plans to monetize. The funds are being used to reduce debt and support the capital program.

Enbridge is working on $22 billion in commercially secured capital projects. The resulting increase in cash flow is the reason management raised the dividend by 10% for 2019 and intends to repeat the increase next year.

The stock has picked up a nice tailwind to start 2019, and investors could see the rally extend through the year. At the time of writing, Enbridge provides a yield of 6.5%.

The bottom line

Fortis, Manulife, and Enbridge should be solid buy-and-hold picks for a dividend-focused RRSP. An equal investment in the three stocks would provide an average yield of better than 5% and a shot at some nice upside as sentiment shifts in the equity markets.

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aswalker