Dividend Boost: 2 Monthly Income Stocks I'd Own in an RRSP Forever

Description

In a choppy market like the one we're in right now, dividends are a must. If you're going to see your capital gains come and go at the speed of light, you might as well get paid in cold hard cash — something that Mr. Market will never be able to scrape back from you. So, as a risk-averse investor (most investors are), it's your responsibility to ensure you're sufficiently compensated with more than "paper profits" for taking on the pain of the market roller coaster.

Not only are dividends more than just paper that won't vanish at a moment's notice, but they'll also dampen volatility, and, more importantly, they'll provide you with additional proceeds to purchase more stocks should the markets take another steep drop.

Sure, chasing the big gain is what's seen as "sexy" on Wall (and Bay) Street, but smart investors always ensure they're properly positioned to get paid should the markets not go the direction they want it to.

Your RRSP is not meant for speculating on sexy growth stocks, especially if you're an older investor who plans to retire comfortably. Instead of chasing the "sexy" play, look to stable dividend stocks that'll help you pull through should any recessions occur between now and your planned retirement date.

Without further ado, here are three RRSP must-haves to buy ASAP.

Fortis (TSX:FTS)(NYSE:FTS)

I know, Fortis is a boring stock and it's a go-to play for conservative investors like retirees. The company's highly predictable future cash flows are seen as a good thing by some but a negative by the more growth savvy who value upside surprises more than a slow and steady race to the top.

Indeed, Fortis is the tortoise, and many growthier stocks are seen as the hare. But don't think for one second that Fortis doesn't have the opportunity to make you rich, because this old tortoise could realistically find itself winning the race (the amount you'll need for retirement) well before the hare, which will get off to a running start, only to take a breather and fall asleep, as the tortoise pulls ahead.

At this juncture, the 3.89% dividend yield seems sub-par. When you consider the nearly guaranteed 5-6% in dividend hikes you'll get every single year, and the crashes the market will inevitably have to face, Fortis is a wonderful investment that should trade at a bigger premium.

TransAlta Renewables (TSX:RNW)

For those seeking a bit more yield and a bit more growth, TransAlta Renewables may be the horse to bet on. The stock had been clobbered pretty badly since summer 2017, so much so such that the yield is now north of the 8% mark, more than double that of Fortis.

While TransAlta's artificially high yield isn't without its fair share of baggage, the company is on the right side of a multi-year (or multi-decade) secular uptrend. We're moving away from fossil fuels and towards sustainable energy, and although the move may seem slow, long-term investors want to be on the TransAlta Renewables ride as its new projects come online.

Now, renewable stocks tend to have higher payouts and "tighter" balance sheets, but when you consider the sheer demand for renewable assets in the world and the fact that the future cash flows are subject to a lesser degree of unpredictability relative to most other businesses, it's clear that renewables are a must-own for those who intend to hang in there for decades at a time.

Foolish takeaway

Don't chase the sexy play, look to dividends and consider betting on the tortoise, rather than the hare for once, as you'll find yourself in a better state of mind should the global economy fall into a downturn.

Stay hungry. Stay Foolish.

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Date
2025/08/16
Date Created
2019/01/28
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