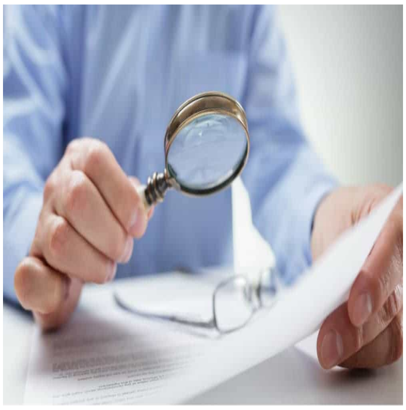

Should You Put Bank of Montreal (TSX:BMO) or BCE Inc. (TSX:BCE) Stock in Your RRSP in 2019?

Description

The start of the year tends to spur a flurry of action in Registered Retirement Savings Plan contributions as Canadians square away the holiday bills and determine how much cash they have left over to put aside for the golden years.

The RRSP is a useful tool, especially for savers who are in higher marginal tax brackets. Contributions can be used to reduce taxable income right now. Ideally, the money will be taxed at a lower rate down the road when the funds are withdrawn. In addition, a dollar today will have more buying power than it will in 20 or 30 years, so it makes sense to keep as much for yourself and give the taxman his part much later, even if you end up at the same marginal tax rate.

Let's take a look at two stocks that might be interesting picks for a self-directed RRSP portfolio this year.

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

Bank of Montreal sits in a sweet spot in the ranks of the big Canadian banks. The company has less relative exposure to the Canadian housing market than some of its peers and revenue is reasonably balanced across the personal and commercial banking, wealth management, and capital markets divisions.

In addition, Bank of Montreal has a large U.S. operation that dates back to the early 1980s. BMO Harris Bank has more than 500 branches primarily serving clients in the Midwest states. This provides a nice hedge against a downturn in Canada and profits can get a nice boost when the U.S. dollar strengthens against the loonie.

Bank of Montreal is Canada's oldest bank with the longest run of consecutive dividend payments. The current payout provides a yield of 4%.

The stock has enjoyed a nice bounce off the December low, but still appears reasonably priced.

BCE (TSX:BCE)(NYSE:BCE)

Canadian internet subscribers are going to be hit with more rate increases in the next few months. Consumers are not happy, but that's the way it is in the Canadian communications industry. BCE and its peers say they need to charge more to cover the costs of upgrading their networks to feed the demand for more broadband. It's a big country and they spend billions of dollars to ensure their customers have state-of-the-art technology, so the argument seems reasonable. At the same time, they also generate impressive earnings and substantial free cash flow.

One way to get some of your money back is to own BCE stock. The company is a leader in the industry with a strong track record of dividend growth. The generous distribution should be rock solid and provides a nice 5.4% yield.

The share price took a hit last year as investors feared that rising interest rates might lure funds away from BCE to GICs. A transition of some degree would be expected, but bargain hunters figured out the pullback might have gone too far, and BCE has recovered a good chunk of the losses. At $56, the stock still sits below the late 2017 high around $62 per share, so more upside could be on the way.

Is one a better bet?

Bank of Montreal and BCE are top-quality companies with long histories of delivering steady returns. At this point, I would probably split a new investment between the two stocks.

Other opportunities are also worth considering right now.

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