2 Dividend Stocks for a Millennial RRSP

Description

A recent report from Templeton Investments Canada revealed that nearly 50% of millennials had not saved anything for retirement. In the survey, 47% said that their income was too low to save for retirement. The report also found that many millennials did not know their annual contribution limits in their registered accounts.

In January, I'd discussed a report from the Ontario Securities Commission (OSC) that found millennials were saving regularly, but not investing. This is a worrisome trend, as investors are forced to contend with historically savings rates and rising inflation. Young investors have the advantage of a long-time horizon and should therefore be taking advantage of the more attractive returns offered by equities.

Of course, millennials also have a right to be cautious given the mature status of the current business cycle. Late 2018 saw the return of severe volatility, and developed nations are projected to experience slower growth heading into the next decade.

Today we'll look at two stocks that have offered solid capital returns while also providing income to shareholders. Millennials leaning more on the conservative side may want to consider these stocks in early February.

National Bank (TSX:NA)

National Bank stock had climbed 9.3% in 2019 as of close on January 29, and shares were up over 50% over the past three years. National Bank has benefitted from strong performance in all its business segments over the past two years and intends to strengthen its footprint in Quebec going forward.

In 2018 National Bank reported a 10% year-over-year increase in net income to $2.23 billion. It also hiked its dividend by 7% to $0.62 per share, representing a 4% yield.

Millennial investors may want to await a pullback after a big January for National Bank. As of close on January 29, the stock had an RSI of 70, which puts it into overbought territory. The bank is not expected to release its first-quarter results until late February, which gives buyers some time to wait for a more attractive price.

CAE (TSX:CAE)(NYSE:CAE)

CAE stock had increased 11.3% in 2019 as of close on January 29. Shares were up 22% year over year. The stock hit 52-week highs on the same day before closing at $27.93.

CAE is an appealing stock for investors looking long. Its sizeable defence business is going to benefit from increased military spending in the long term. In the second quarter of fiscal 2019 the company reported a 20% year-over-year increase in revenues to $743.8 million. Free cash flow more than doubled from the previous year to $137.7 million and CAE posted a record $8.7 billion backlog.

CAE stock has surged 96% over the past five years. The company last hiked its quarterly dividend to $0.10 per share, representing a modest 1.3% yield. On the downside, CAE looked pricey in late January. As of this writing, the stock had an RSI of 72, thereby indicating that it is overbought heading into February.

These stocks are attractive long-term options, but investors may want to wait on adding overheated equities after an impressive opening month to 2019.

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