2 Defensive Stocks to Buy for Dividend Growth and Stability

Description

Securing a retirement that is free from financial stress and worry is top of mind for many investors.

To achieve this, it is a good idea to start an RRSP early so as to have the benefit of many years of compounding returns and market growth, focusing on setting up a well-diversified RRSP portfolio, which should include bonds, dividend stocks, and growth stocks.

Here are two dividend stocks that you should consider adding to your RRSP, as they both have long and strong histories of shareholder value creation and stability as well as bright futures.

Metro (TSX:MRU)

With a $12.5 billion market capitalization and a 1.65% dividend yield, Metro continues to be a story of consistency, stability, and shareholder wealth creation.

These days, everything seems to be working for Metro, as earnings growth, dividend growth, and investor sentiment remain positive. Along with its recession-proof business, these factors can be reasonably expected to take Metro stock to new heights in 2019.

Metro stock has increased 134% in the past five years and has rallied almost 23% from October lows, as the market has rewarded defensive stocks.

This makes sense, as Metro's business is an economically insensitive one, as the company has continued to post strong results, and as dividend increases have been typical of the company.

To illustrate my case, 2018 EPS was $0.63 versus $0.51 in the same period last year for an increase of 23.5%, buoyed by the Jean Coutu acquisition. And 2019 EPS should be strong, as the company benefits from more cost savings and from cross-selling and synergies from the acquisition.

The annual dividend was increased by 16% in 2017 to $0.65 per share, by 10.8% in 2018, and by 11% in 2019 to the current $0.80 per share.

TC Pipelines (TSX:TRP)(NYSE:TRP)

For more than 65 years, TC Pipelines, formerly TransCanada, has been developing and maintaining energy infrastructure, while handsomely rewarding shareholders.

And with a current dividend yield of 4.8%, it's hard to find a safer income stream at these levels than this.

Since 2000, TC stock has provided shareholders with a 13% average annual return, while delivering yearly dividend increases, which brought the dividend per share from $0.80 to $2.80.

The recent approval of LNG Canada's proposal to build the LNG plant is another driver for the stock going forward in that it has resulted in the company moving forward on its Coastal GasLink natural gas pipeline, and it will have a positive effect on investor sentiment toward TC stock as well.

TC has above-average, visible growth and an infrastructure presence that should ensure strong growth well into the future.

Investors can expect continued dividend growth of 8-10% through to 2021.

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