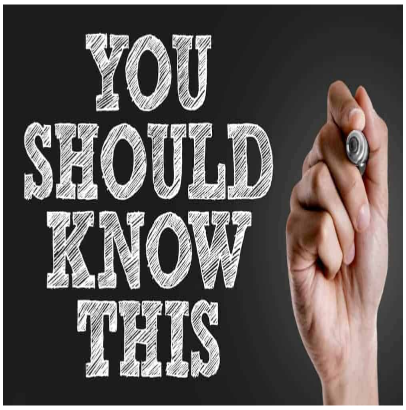

RRSP Deadline Investors: 2 Dividend Stocks to Own for Decades

Description

Canadian savers are making their final RRSP contributions ahead of the 2018 tax year deadline.

Setting up a regular monthly contribution schedule is arguably the ideal way to put aside RRSP funds for the golden years, but not everyone has a balanced income stream or is comfortable committing a big chunk of cash until the year wraps up and they know they have some extra money.

As a result, there is often a rush in the final days ahead of the deadline to make the contributions and reduce taxable income for the previous year. The funds can certainly sit in cash, but many people prefer to buy dividend stocks right away to take advantage of the payouts and invest the distributions in new shares.

Let's take a look at two stocks that might be interesting picks today for your portfolio.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

CIBC isn't as cheap as it was in December, but the stock still trades well below the highs of 2018 and appears undervalued relative to its larger Canadian peers.

Why?

The company made a US$5 billion acquisition in the United States in 2017 that helped balance out the revenue stream and provides a base for possible other deals. The CEO has indicated that the U.S. wealth management sector could be of interest.

Adjusted earnings for fiscal 2018 rose 10% compared to the previous year, and 2019 should produce solid results.

The bank is well capitalized with a CET1 ratio of 11.4%, and shouldn't run into trouble if the Canadian housing market hits a rough patch. That's an area of concern for some investors, due to CIBC's large mortgage portfolio, but the discount the stock trades to its peers might be overdone.

Investors who buy today can pick up a yield of 4.75%.

Nutrien (TSX:NTR)(NYSE:NTR)

Nutrien is the planet's largest supplier of crop nutrients, including potash, nitrogen, and phosphate. Fertilizer demand is expected to grow in the coming decades as farmers strive to get better yields out of their land to feed a a growing global population.

The industry experienced a multi-year slump, but that appears to be over. Spot prices are off the lows and potash wholesale contracts with India and China were signed at higher prices in 2018.

Nutrien reported strong Q4 results and raised the dividend by 7.5% for 2019. The company has already delivered better-than-forecast synergies through the integration of the former Potash Corp. and Agrium assets, which is expected to continue through the end of this year.

If crop nutrients prices extend their recovery, Nutrien stands to generate significant margins, and the market might not be appreciating the potential impact on free cash flow. The stock has picked up a tailwind in the past month, and more gains should be on the way.

The current dividend provides a yield of 3.2%.

The bottom line

CIBC and Nutrien should be solid buy-and-hold picks for a dividend-focused RRSP. The stocks are off the recent lows but still appear attractively priced today.

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