Stash These 3 Dividend Stocks in Your RRSP for the Long term

Description

RRSP season is upon us. While the RRSP is a less popular investment vehicle for most investors compared to the TFSA, it may make sense to contribute to your RRSP before the deadline if you've found you've run out of room in your TFSA.

As you may know, I'm not a fan of the RRSP for those who haven't maxed out their TFSAs. But if you find you've got a hoard of cash in non-registered savings accounts, an RRSP may be profoundly beneficial depending on your unique circumstances (see a financial advisor to find out).

For those who've decided to contribute this year, here are five top dividend stocks to get you started. As you may know, RRSPs are meant for retirement, so the list of stocks I've compiled are all with an extremely long-term investment horizon beyond 10 years.

Without further ado, here are the stocks:

AltaGas (TSX:ALA)

Income investors love asking about AltaGas, not because the company is in a trendy sector, but because the stock sports a massive 6.2% dividend yield, and with shares down over 70% from the high after a multi-year crash (which may not be over yet), contrarian investors are interested in the name for its potentially massive upside potential.

Altagas probably won't recover to its high overnight (that'd imply the stock's a multi-bagger), but when you look into the stock's ridiculously low valuation (0.8 P/B, 0.9 P/S), the risk-reward trade-off seems more than favourable, especially for those who are willing to sit on the stock for years at a time.

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

As Canada’s cheapest Big Six bank stock (9.8 times trailing earnings), CIBC also has one of the most bountiful dividends with its 4.8% yield, and it’s positioned to grow.

While I’m not a huge fan of the banks after their recent 2019 run, as they’re rather untimely buys today, I still think RRSP investors are getting a great deal if they plan to buy, hold, and reinvest the dividends over the course of decades.

CIBC has suffered swelling expenses from its U.S. business, and with the potential for more underwhelming results in the cards for H1 2019, negativity is still high on the name. Add the background fears over Canada’s housing market, and CIBC’s valuation gap relative to its peers begins to make sense. What does not make sense, however, is why the stock has continued to lag despite the more promising long-term outlook with a growing U.S. foundation and a management team that looks better-equipped to deal with crises moving forward.

Got RRSP cash and time? CIBC is a solid bet.

Great-West Lifeco (TSX:GWO)

Canada’s life insurance space has been unrewarding to investors over the last few years. While there are few (if any) meaningful catalysts in store over the near-term, there are ample cash dividends to be collected for those with the patience to sit and wait after pulling the trigger on stable dividend stalwarts like Great-West.

With shares in bear market territory, the stock could continue to punish near-term thinkers. But for those interested in the long-term, the huge 5.5% dividend yield is a major incentive to stay on the rollercoaster that is GWO stock.

To sweeten up the pot, Great-West Lifeco, like CIBC, also trades with a single-digit P/E multiple at the time of writing. That’s cheap. And although a near-term bounce is unlikely, long-term thinkers now have the opportunity to lock in the big yield that probably won’t remain for a prolonged period.

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2. TSX:ALA (AltaGas Ltd.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:GWO (Great-West Lifeco Inc.)

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joefrenette