Retirement Investors: 2 “Safe” Stocks to Buy for an RRSP

Description

While going out on a limb and assuming a stock’s earning’s report is going to be favourable, when it comes to **Fortis** (TSX:FTS)(NYSE:FTS) and its first quarterly report of the year, there’s every reason to assume they’ve hit their mark. Indeed, the market broadly assumes that this will be the case, with an increase in earnings expected from the energy giant that will no doubt see its share price surge if it occurs.

A stock that’s broadly considered a safe bet when it comes to defensive dividend investing, Fortis has been rising steadily since last summer. In fact, Fortis shows fairly strong upward momentum generally, though with a low beta relative to the market, it’s conversely about as defensive a stock as one can find on the TSX index.

Is Fortis still good value for money?

Year on year, Fortis has returned 14.5% compared with the Canadian utilities average of 12% for the same period. It’s selling at almost five times its future cash flow value, though, so just how suitable is this stock for the general retirement investor?

Turning to the market ratios, Fortis is displaying a P/E of 19.1 times earnings and P/B of 1.4 times book at its current price, meaning that it’s good value for money in comparison with the industry, and therefore a sturdy buy for the generally value-minded investor. Meanwhile, a dividend yield of 3.63% makes for a decent passive income stock, fit for an RRSP or other long-term retirement plan.

Past performance is usually a fairly good indicator of how a stock will continue to proceed in the future. With this in mind, Fortis’ one-year earnings growth rate of 14.2% and five-year average earnings growth of 24.4%, both beating the industry, offer some assurance that the stock will continue to outperform. Meanwhile, a conservative 5.3% estimated annual growth in earnings indicates future positivity.

What are the risk factors for buying Fortis?

Fortis insiders have sold more shares than they have bought in the past three months, though not by a great margin. Perhaps the main thing to be aware of is that if risk is one of your bugbears would be a level of debt compared to net worth that has gone up over the past five years. Indeed, Fortis' balance sheet is only adequate, carrying a high level of debt that rose from 123% five years ago to the current level of 134.3% today.

Meanwhile, a major Big Six banker like **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) is another safe bet for long-term investing, with a good-sized dividend yield at 5.02% and some growth ahead. It's been doing well this past year, with earnings growth of 10.3% narrowly trailing the Canadian banking average, though its five-year average past earnings growth of 10.9% beat the norm by a few points.

The bottom line

With a 0.33 beta relative to the Canadian oil and gas industry, Fortis is one of the most secure investments to be found on the TSX index, and pretty much custom built for a low risk retirement investment. CIBC makes a sound running mate, meanwhile, with its blend of good value and safe dividends.

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