



Why Is Nutrien (TSX:NTR) a Top Stock to Help Your RRSP Grow?

Description

Canadians are searching for ways to set aside adequate cash to fund a comfortable [retirement](#). One strategy involves buying quality dividend stocks inside RRSPs.

Contributions to the RRSP can be used to reduce taxable income. At the same time, the full value of any distributions generated inside the RRSP are available to acquire additional shares. This sets off a powerful compounding process that can turn reasonably small initial investments into large sums over the course of a few decades.

The RRSP funds are taxed when they are withdrawn. Ideally, this occurs when investors are at a lower marginal tax rate than they were when the original contributions were made.

Which stocks should you buy?

The best companies tend to be industry leaders with long-term potential for revenue growth. Rising free cash flow is also important, as this is the best source of funds to support dividend hikes.

Let's take a look at **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) to see why it might be an interesting pick today.

Nutrien is the largest crop-nutrient company on the planet with annual sales of more than 27 million tonnes of potash, nitrogen, and phosphate. Nutrien also has a global retail operation that sells seed and crop protection products directly to more than 500,000 farmers.

The world's population is expected to increase from 7.6 billion today to nearly 10 billion by 2050. Farmers will be pressured to produce larger crops on less arable land, and that should drive strong fertilizer demand.

Nutrien's predecessors, Potash Corp. and Agrium, completed major capital programs before merging. As a result, the company already has state-of-the-art facilities in place to compete efficiently while meeting rising crop-nutrient demand. This is important for investors, as it means more cash flow should be available for distributions.

Nutrien raised the [dividend](#) by 7.5% for 2019 and is buying back shares.

The company just reported solid Q1 2019 earnings and maintained full-year 2019 adjusted net earnings guidance of US\$2.80-3.20 per share. That's well above the US\$2.69 Nutrien earned in 2018, so another decent dividend increase should be on the way for 2020.

Global potash shipments are expected to hit a record 67-69 million tonnes this year and prices continue to improve after a multi-year slump.

Should you buy?

Nutrien trades at \$67.50 per share. That's down from the 12-month high of \$76 it hit last August. At the current price investors can pick up 3.5% dividend yield and simply wait for market sentiment to improve.

The long-term prospects for the stock are positive and Nutrien has the potential to generate significant free cash flow as market prices improve. If you have a buy-and-hold strategy, Nutrien should be an attractive pick today for your RRSP portfolio.

CATEGORY

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