Planning for Retirement? Build a Mini Pension With These 3 RRSP Stocks

Description

When it comes to your retirement, it pays to invest for the long haul.

If you have a long time horizon ahead of you, you can build a retirement nest egg that will pay you for life. If you're less than 71 years old, you can also watch your retirement savings grow tax-free in an RRSP — Canada's most popular tax-deferred retirement account.

Given that RRSPs are tax-sheltered only as long as the holdings are in the account and that these holdings get taxed at your marginal rate upon withdrawal, your best bet is to hold on to your RRSP assets until you retire. For that reason, the best RRSP investing strategy is to buy safe and steady long-term dividend stocks that will grow over several decades. Not only is dividend income more reliable than capital gains, but it also helps you build a cash stockpile that spares you having to sell stock when mandatory withdrawals kick in. With that in mind, the following are three solid dividend stocks that can help you build an RRSP "mini pension."

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is one of Canada's best-performing energy stocks. As a pipeline company that makes money off toll fees, it's less exposed to oil prices than most other oil and gas companies are, and it pays a very generous dividend that yields about 6% as of this writing. Enbridge is currently in the midst of expanding its transportation capacity by replacing its Line III infrastructure: the new pipe will be wider than the previous one, so extra shipping capacity and revenue potential will be added.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is one of Canada's largest and best-performing utilities. Utility stocksare prized for their safety, as they tend to go up during bear markets while still doing okay in bulls.Fortis in particular has raised its dividend for 45 years straight and has outperformed both the TSXIndex and the utilities sub-index for the past five years. Its dividend yield is currently about 3.5%.

BCE

BCE (TSX:BCE)(NYSE:BCE) is Canada's largest private telecommunications company, with a market cap of $54 billion. In addition to providing cell and internet service, it also owns CTV and several sports teams.

Over the past five years, BCE stock has risen 23% plus dividends, which is better than other telecommunications stocks in the same period. Speaking of dividends, BCE's stock currently yields nearly 6%, making it an ultra-high yielder. Very high dividend yields are sometimes suspect, as they may reflect unsustainable payout ratios or justifiably beaten down stock prices; however, neither of these factors apply to BCE.

The stock's performance has been relatively strong, and its payout ratio of 97% is high but within the realm of being sustainable. Of course, earnings growth will be required for that dividend to increase at all in the future.

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3. NYSE:FTS (Fortis Inc.)
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