3 Defensive High-Yield Dividend Stocks You Need in Your RRSP

Description

When investing for retirement, it pays to play it safe. Retirement money is money you'll need at some point, so it's best not to gamble on it. Not only that, but RRSP withdrawal rules incentivize "slow-and-steady: investing, since they penalize withdrawing when you're still earning an income. For these reasons, when you're investing for retirement, it's best to stick to defensive dividend stocks that will pay you over the long term. The following are three that fit the bill perfectly.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is Canada's largest publicly traded utility. With an uninterrupted 45-year track record of raising its dividend, it may be the TSX's most reliable cash machine.

Over the past five years, Fortis has outperformed not only the TSX, but also the TSX utilities sub-index. Yet even with these market-beating gains, Fortis yields a fairly high 3.5%.

When you've got the safety of a utility stock combined with high income and market-beating returns all in one package, it belongs in your RRSP. It should also be mentioned that Fortis is embarking on a five-year, $17 billion capital-expenditure program that it claims will increase its rate base. So, there may be substantial growth ahead for this ultra-safe stock.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is another top Canadian utility stock. Like Fortis, it has a long track record of dividend increases. Its current yield is even higher than Fortis's at the moment, despite having a slightly lower payout ratio.

In its most recent quarter, Algonquin grew its earnings from $0.04 per share to $0.17 per share. That's a 391% growth rate, although the company is quick to point out that it's mainly attributable to one-time effects of tax reform. For this reason, it's unreasonable to expect such frothy growth to continue into the future. However, this is still a super-safe utility stock that has been beating the market and has a current yield of 4.6%.

Rogers Communications

Rogers Communications (TSX:RCI.B)(NYSE:RCI) is one of Canada's largest telecommunications companies. With a $35 billion market capitalization, it's one of the larger TSX 60 components.

Rogers isn't quite as big as some of its competitors, but it's been among the best-performing stocks in its class over the last five years, rising 61% (plus dividends).

What makes Rogers such a good RRSP stock?

First, as a Canadian telecom company, it enjoys a strong competitive position owing to the high barriers to entry in the Canadian telecom space. Say what you will about the CRTC, but it undeniably gives Canadian telecoms a wide moat.

Second, in addition to the general "safety" of Canada's internet and cell giants, Rogers enjoys stronger growth than many of its peers. As previously mentioned, it has delivered strong returns over the past five years. In addition, in its most recent quarter, the company grew adjusted EBITDA by 9% — a solid growth figure for such an old, established company. On top of that, the stock pays a dividend that yields 2.9%. Although that's lower than average for Canadian telecoms, it's solid when you consider that this stock has had much stronger historical returns than its peers.

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Author
andrewbutton