RRSP Investors: 2 TSX Index Stocks I'd Buy Today With an Extra $10,000

Description

Canadians are taking advantage of their self-directed RRSP to reduce taxable income and set aside cash for their retirement.

The strategy makes sense, especially for people who are in a higher marginal tax bracket than they expect to be in retirement. In addition, savers tend to avoid tapping their RRSP funds for other expenditures, unless absolutely necessary.

That might not be the case when the money is invested in a TFSA where the cash can be removed without any tax holdbacks.

Let's take a look at two stocks that might be interesting picks for your RRSP portfolio right now.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) was created in early 2018 through the merger of Potash Corp. and Agrium. The integration of the two businesses has gone well, with run rate synergies exceeding initial estimates.

Nutrien is the world's largest producer of potash and one of the biggest providers of nitrogen and phosphate. The company also has a large retail division that sells seed and crop protection products to farmers around the globe.

Crop nutrient prices are improving after a multi-year slump and Nutrien is growing the retail operations through strategic acquisitions.

The company is targeting a nice jump in earnings this year. Profits for 2018 came in at US$2.69 per share. Management has provided guidance of US$2.80-3.20 for 2019.

The board raised the dividend twice in the past 12 months. At the time of writing, investors who buy the stock can secure a yield of 3.3%.

Population trends and ongoing loss of arable land due to urban expansion should bode well for crop nutrient demand in the coming decades as farmers face pressures to improve crop yields.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) owns power generation, natural gas distribution, and electric transmission assets located in Canada, the United States, and the Caribbean.

A majority of the $50 billion in assets is located in the United States and nearly all of the revenue comes from regulated businesses.

The stock is a great way to have U.S. exposure in the portfolio through a Canadian stock and the nature of the income stream tends to make Fortis less volatile than the broader index.

The board intends to raise the dividend by an average of 6% per year through 2023. Fortis has increased the payout every year for more than four decades, so investors should feel comfortable with the outlook.

The stock isn't as cheap as it was last October, but still provides a 3.5% yield and has proven to be a sleep-easy RRSP investment.

The bottom line

Nutrien and Fortis should be solid buy-and-hold choices for a self-direct RRSP. If you only choose one, I would probably go with Nutrien as the first pick. The stock appears somewhat undervalued right now given the long-term potential to generate substantial free cash flow.

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