RRSP Alert: 3 Stocks to Build Retirement Wealth

Description

Investing for retirement doesn’t have to be stressful.

Canadians have significant tools at their disposal to build a self-directed RRSP portfolio that can grow from modest contributions to a substantial nest egg.

Any age is good to begin contributing to your retirement savings, although the process gives you the best bang for your buck when the investments begin early in your career and the contributions are made on a consistent basis.

One popular strategy involves buying quality dividend stocks inside the RRSP and using the distributions to acquire new shares. The power of compounding might not be evident at the beginning, but over time the results can be impressive.

Let’s take a look at three stock that might be interesting picks to launch your retirement savings portfolio.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is a giant in the Canadian banking sector with a market capitalization of $150 billion and $12.4 billion in annual profits.

Despite its size, Royal Bank is targeting ongoing earnings-per-share growth of 7-10% over the next few years, and dividend increases should continue along that same path.

The bank is investing significant funds in its digital initiatives to ensure it remains competitive in a changing industry. Pundits are concerned that non-bank competitors are chipping away at payment-processing revenues and some areas of wealth management. This is true, but most of the banking sector’s activities are still dominated by the big banks, and that should continue.

Royal Bank's dividend provides a yield of 3.9%.

A $10,000 investment in Royal Bank 20 years ago would be worth more than $100,000 today with the dividends reinvested.

Saputo

Saputo (TSX:SAP) started out as a small family cheese business in Montreal in the 1950s. The family had $500 and a bicycle to buy equipment and make deliveries. Today, Saputo is a global dairy powerhouse with a market capitalization of more than $15 billion.

Acquisitions have driven the bulk of the company's growth, and that trend is expected to continue amid consolidation in the global dairy industry.

Saputo has a strong track record of dividend growth. The board has increased the payout in each of the past 19 years.

A $10,000 invested in Saputo two decades ago would be worth $100,000 today with the dividends reinvested.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is Canada's largest integrated energy company. The diversified business lines include production, refining, and retail operations. This gives Suncor a natural hedge against falling oil prices, as the downstream assets can benefit from lower input costs when the oil market hits a rough patch.

Suncor isn't often highlighted as a dividend play, but the stock has a great track record of dividend growth with generous annual increases. The board raised the distribution by nearly 17% for 2019, and strong gains should continue as production increases at the recently completed Fort Hills and Hebron sites.

Suncor's stock appears oversold right now, and the current dividend provides a yield of 4%.

A $10,000 investment in Suncor 20 years ago would be worth more than $90,000 today with the dividends reinvested.

The bottom line

Royal Bank, Saputo, and Suncor are all leaders in their respective industries and should continue to be solid buy-and-hold picks for a self-directed RRSP portfolio.

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1. Bank Stocks
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3. Investing
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2. NYSE:SU (Suncor Energy Inc.)
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