Retirement Savers: 2 Top Dividend Stocks for 2020

Description

Investors are starting to put together their investment plans for next year, which includes deciding on which dividend stocks to add to a TFSA or RRSP portfolio.

Holding the shares of companies that pay a reliable and growing stream of dividends is a well-known — and successful — long-term investing strategy.

The power lies in the compounding process, as each payout can be invested in new shares to create even more dividends on the next distribution.

Over time, the snowball effect can turn relatively small original investments into a substantial retirement fund.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is the number three bank in Canada with a market capitalization of $92 billion.

The bank gets most of its revenue and profits from the Canadian operations, including personal and commercial banking, capital markets, and wealth management activities, but also has an interesting international group.

The leadership team has spent significant funds on driving growth through acquisitions in the past few years, both at home and abroad.

The bank recently bought two independent wealth management companies in an effort to boost the bank's competitive position against its two larger Canadian peers.

The addition of MD Financial and Jarislowsky Fraser will help power growth in the newly created Global Wealth Management business unit.

On the international front, Bank of Nova Scotia continues to buy assets in Latin America, with a focus on Mexico, Peru, Chile, and Colombia. While this might seem like a risky move given all the recent headlines around civil unrest in Chile and violent clashes in Mexico between the government forces and drug cartels, the long-term opportunity is attractive.

Bank of Nova Scotia already gets about a third of its profits from the international division, and the Latin American business in particular is seeing loan and deposit growth that outpaces Canada.

The bank just raised its dividend and steady annual growth in the payout should continue in line with rising earnings per share.

Investors who buy today can pick up a 4.8% yield. Any weakness in the share price should be viewed as a buying opportunity.

BCE

BCE (TSX:BCE)(NYSE:BCE) is a giant in the Canadian communications industry with a market capitalization of $58 billion.

The company has the size and financial clout to make the necessary investments to ensure it continues to offer its customers the fastest connection and best coverage possible across its wire line and wireless networks.

BCE already has a wide moat, but it is fortifying its competitive position through the fibre-to-the-premises initiative that has the company running high speed fibre connections right to the doors of its business and residential subscribers.

This is a great way to maintain control of the important physical connection to its customers and helps ensure they continue to receive the broadband capability they require.

BCE's acquisition of AlarmForce in early 2018 gave it a leg up on the growing home security and smart home market. The deal instantly added a suite of products and services that can be provided on bundled packages to existing users of BCE's internet, TV, and mobile offerings.

BCE raises the dividend at a steady pace. Investors who pick up the stock today can secure a 5% yield.

The stock should hold or extend its recent gains through 2020 amid anticipation for lower interest rates in Canada. As rates fall, borrowing becomes cheaper for the company.

In addition, the reduced rates on fixed-income investments can trigger a shift of yield-seeking funds to reliable dividend stocks, such as BCE.

The bottom line

Bank of Nova Scotia and BCE are top-quality companies with long track records of dividend growth.

If you're searching for reliable picks with above-average dividends for a TFSA or RRSP portfolio, these stocks deserve to be on your radar.

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Date
2025/08/20
Date Created
2019/10/23
Author
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