Top Picks Tuesday: 2 Dividend Stocks for New RRSP Investors

Description

The Registered Retirement Savings Plan (RRSP) first arrived in 1957 when the federal government decided Canadians needed to start putting more cash aside for the golden years.

Relying on CPP and OAS will only cover basic living expenses, and that is even debatable amid soaring costs for housing and utilities. Not everyone has a company pension, so the RRSP is designed to fill that role.

The program has evolved over time to include larger contribution limits. The original RRSP only allowed people to put in 10% of their income to a maximum of $2,500. Today, the limit is 18% of income up to a maximum of $26,500.

In addition, unused contribution space can be carried forward. That wasn't the case when the RRSP first emerged.

One big advantage of the RRSP is the fact that the contributions can be used to reduce taxable income. This is particularly attractive for people in higher tax brackets. With some planning, you should be able to pay a lower tax rate when you pull the funds out of the RRSP than what you would have paid on the contributions.

In addition, the funds can accumulate interest, dividends, and capital gains tax-free while inside the RRSP.

Let's take a look at two dividend stocks that might be interesting picks to get your RRSP started.

Nutrien

Nutrien (TSX:NTR)(NYSE:NTR) is a giant in the global crop-nutrients industry. The company produces potash, nitrogen, and phosphate that farmers around the globe use to boost crop yields.

Urban expansion is reducing the amount of farmland that is available, and rising population numbers means more food is needed. This sets up a good long-term demand situation for Nutrien's wholesale business. The company also sells seed and crop protection products.

The board raised the dividend twice since the start of last year and while market conditions have softened somewhat in 2019, Nutrien expects a solid recovery in 2020.

The recent downturn is the stock should be viewed as a buying opportunity. Nutrien trades at $63 today compared to $73 in March. The current dividend provides a yield of 3.8%.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) has paid a dividend for 190 straight years. That's correct; investors have received a piece of the profits since 1829.

The bank is good pick for investors who want a top-quality holding that they can simply buy and forget for decades. Bank of Montreal has a balanced revenue stream coming from personal banking, commercial banking, capital markets, and wealth management operations.

Most of the earnings come from the Canadian business, but Bank of Montreal also has a large U.S. division. The American group provides a decent hedge against trouble in Canada and gives investors a good way to get exposure to the U.S. economy through a Canadian stock.

The share price appears reasonable today at 11.5 times trailing earnings. The dividend offers a 4% yield.

The bottom line

Nutrien and Bank of Montreal are top-quality companies that should deliver solid long-term returns for buy-and-hold RRSP investors.

A balanced portfolio is always recommended, and the Canadian market is home to several top-rated stocks that can help investors meet their retirement goals.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:NTR (Nutrien)
3. TSX:BMO (Bank Of Montreal)
4. TSX:NTR (Nutrien)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Metals and Mining Stocks

Date
2025/08/24
Date Created
2019/11/19
Author
aswalker