RRSP Investors: 2 Top Canadian Dividend Stocks to Help Build Pension Wealth

Description

Canadian savers are starting to get their final RRSP contributions sorted out before the deadline for 2019.

The RRSP is a valuable tool for setting extra cash aside for retirement to help complement payments from employment pensions, CPP, and OAS. Contributions that are made today can be used to reduce taxable income.

This is particularly attractive for people who are currently in higher tax brackets than they might expect to be when they pull the funds.

RRSP withdrawals are subject to income tax, but many people take the money out after they stop working or shift to part-time work. This puts them in a lower tax bracket than when they made the initial contributions.

Where should you invest?

Top dividend stocks have a good track record of helping RRSP investors build wealth, especially when the distributions are invested in new shares.

Let’s take a look at two top Canadian stocks that might be interesting picks today.

TD

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a leading player in the Canadian banking sector with strong personal banking, commercial banking, and wealth management operations.

The acquisition of Saskatchewan-based Greystone in 2018 was a strategic move to boost the wealth management business, and investors should see the benefits in the coming years. TD also has a large U.S. division that has emerged to become a significant force in the country. The American group contributed nearly 40% of TD's total net earnings for fiscal 2019.

The bank has a strong track record of dividend growth, and the board also repurchases shares. TD has raised its dividend by a compound annual rate of about 11% over the past two decades.

Investors who buy today can pick up a 4% yield.

Long-term investors have done well with the stock. A $10,000 investment 20 years ago would be worth $80,000 today with the dividends reinvested.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a giant in the North American energy infrastructure industry.

The company transports nearly 20% of all oil that is produced in Canada and the U.S. and a significant portion of the total natural gas consumed in the United States.

Enbridge also has gas utility businesses in Canada and is growing its global renewable energy division, which includes solar, wind, geothermal, and hydroelectric facilities.

The company went through a transition in the past couple of years that saw Enbridge sell roughly $8 billion in non-core assets as part of the new strategy to focus on regulated businesses.

Enbridge also streamlined its operations, bringing four subsidiaries under the umbrella of the parent company.

The changes should be positive for investors. The balance sheet has improved, and cash flow should be more predictable due to the majority of the revenue coming from regulated assets.

Enbridge raised the dividend by nearly 10% for 2020 and is anticipating growth in distributable cash flow of 5-7% per year over the medium term. That should support ongoing annual dividend increases in the same range.

The current dividend provides a yield of 6%.

A $10,000 investment in Enbridge 20 years ago would be worth $150,000 today with the dividends reinvested.

The bottom line

TD and Enbridge are market leaders with strong track records of generating solid returns for investors. If you are searching for top dividend stocks to put in your RRSP, these companies deserve to be on your radar.

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