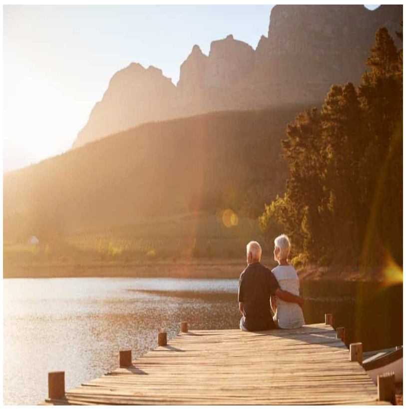

RRSP Investors: 2 Top Dividend Stocks to Kickstart Your Pension Fund

Description

Canadian savers are taking advantage of the generous RRSP contribution space to set aside cash for their golden years.

The RRSP is a useful tool for retirement planning as the contributions can be used to reduce taxable income today and the investments grow tax-free until you decide to spend the money.

At that point, tax is paid on the withdrawals, but ideally at a lower marginal rate than when you made the contribution.

Let's take a look at two stocks that might be interesting picks today for a self-directed RRSP portfolio.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is a great pick for investors who want to buy a reliable dividend stock. Canada's fourth-largest bank has paid a dividend for 190 straight years. That's right, investors have received a slice of the profits annually since 1829.

The bank has a balanced revenue stream stemming from personal banking, commercial banking, wealth management, and capital markets activities and the large U.S. division provides a good hedge against a downturn in Canada.

Bank of Montreal is very profitable. The bank generated fiscal Q4 2019 net income of $1.19 billion and adjusted return on equity (ROE) of 13.5%. That's better the the overall average for American banks ad double the average for banks in Europe.

The current dividend provides a yield of 4%. A $10,000 investment in Bank of Montreal 25 years ago would be worth $190,000 today with the dividends reinvested.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is based in Eastern Canada, but has more than $50 billion in assets spread out across the country, throughout the United States, and the Caribbean.

The great thing about Fortis is the fact that most of its revenue comes from regulated assets. These are utilities that distribute natural gas to homes and business, plants that producer power, and networks that move the electricity to the end users.

The company grows through acquisitions and isn’t afraid to do big deals. Over the past few years Fortis spent US$4.5 billion on the purchase of Arizona-based UNS Energy and US$11.3 billion to buy Michigan-based ITC Holdings.

On the development side, the company has a five-year $18.3 billion capital program on the go that will significantly increase the rate base.

As a result of the growing revenue, cash flow is expected to rise enough to support average annual dividend hikes 6% through 2024. Fortis has raised the payout in each of the past 46 years. At the time of writing, the distribution provides a yield of 3.3%.

A $10,000 investment in Fortis 25 years ago would be worth 235,000 today with the dividends reinvested.

The bottom line

If you’re searching for reliable dividend stocks to launch a diversified RRSP portfolio, Bank of Montreal and Fortis should continue to be solid holdings.

The companies have strong track records of revenue and dividend growth and give investors great access to the United States economy through top Canadian stocks.

There’s no guarantee the returns will be repeated over the next 25 years, but the strategy of owning top-quality dividend stocks and using the distributions to buy additional shares is a proven one.

The **TSX Index** is home to many stocks that have generated similar or better returns and would be solid picks to build a balanced retirement portfolio.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:FTS (Fortis Inc.)

3. TSX:BMO (Bank Of Montreal)
4. TSX:FTS (Fortis Inc.)

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