RRSP Investors: A Cheap Canadian Dividend Star to Add to Your Wealth Fund

Description

The rally in the **TSX Index** in the past year has made it harder for Canadian savers to find deals for their self-directed RRSP portfolios.

Ideally, we want to make contributions and invest throughout the year to better manage personal cash flow and dollar-cost-average the stock purchases. However, many people wait until they get through the year to see how much cash is available to contribute to their RRSP.

In addition, company bonuses often arrive in December or at the start of the year. In 2020, the deadline to make RRSP contributions to be applied against 2019 income is March 2, which means that people are focused on their pension plans in the month of February, otherwise known as RRSP season.

Making the contribution before the deadline to reduce taxable income for the previous year is often the main goal, and savers sometimes hold the funds in cash accounts to wait for a pullback in stock prices.

Timing the market is tough to do, and the market often zigs when everyone expects a zag, potentially resulting in lost upside and missed dividends.

Opportunities?

The energy sector enjoyed a nice bounce through the fourth quarter of 2019, but a dip in recent weeks has taken the share prices of some top companies back to attractive levels.

Let's take a look and **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) to see if it deserves to be on your RRSP buy list.

Attractive resources

CNRL is a giant in the Canadian energy sector, with a resource base that includes oil sands, heavy oil light oil, offshore oil, natural gas, and natural gas liquids reserves and production. The company also owns key pipeline infrastructure in some of its core areas of operation.

CNRL owns 100% of its assets with the flexibility to move capital to highest-return opportunities when prices shift in the energy markets. The balanced production mix also results in a low overall resource decline rate. Having long life assets with a low decline rate is a competitive advantage, as it means less maintenance capital has to be committed.

In fact, CNRL says its maintenance capital requirements are 75% lower than the average for its peers.

Dividends

CNRL raised its distribution by 12% in 2019 and investors should see another generous increase in 2020. The company has hiked the payout in each of the past 19 years, which is impressive when you consider the challenges the Canadian energy sector has faced since 2014.

Financial strength

CNRL has a strong balance sheet with the financial firepower to make large strategic acquisitions when the market is under pressure.

The company retired $2.3 billion in debt in 2019 while maintaining adequate capital investments to deliver 13% production growth. CNRL also has an aggressive share buyback program and repurchased $941 million in stock last year.

Risk

CNRL currently trades at $38 per share compared to $42 in January and $48 in 2018. The shares are still well above the 12-month low near $30 we saw in August, so there could be some additional downside if the coronavirus fears put more pressure oil prices.

The economic impact of the outbreak is still unknown. China consumes 14% of the planet’s oil, second only to the United States at 20%, so any steep drop in demand by China would be negative for oil prices.

Should you buy CNRL?

The stock appears cheap right now and investors get paid an attractive 3.9% dividend yield while they wait for the market to improve. Any additional downside should be viewed as an opportunity to add to the position.

If you are searching for a buy-and-hold dividend stock for your RRSP portfolio, CNRL deserves to be on your radar.

CATEGORY

1. Dividend Stocks

2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/24
Date Created
2020/02/06
Author
aswalker