RRSP Wealth Fund: 2 Top Canadian Dividend Stocks to Own for 40 Years

Description

The deadline to make final RRSP contributions for the 2019 tax year is less than a month away, and investors are wondering which stocks might be interesting picks for their self-directed portfolios.

Investments made in RRSP accounts tend to be held for decades. Interest, dividends, and capital gains are not taxed while the money stays inside the RRSP, but taxes are paid when the money is withdrawn. This ideally occurs at a time when the investor is in a lower marginal tax rate than when the initial contributions were place in the fund.

Which stocks should you buy?

A balanced portfolio is always recommended, with exposure to different sectors and geographic markets. The RRSP is used as a tool to save for retirement, so it is normally not the place to take big risks on penny stocks. In fact, history suggests that owning reliable dividend stocks with strong track records of steady payouts tends to be a winning strategy.

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

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) is Canada’s fourth-largest bank with a market capitalization of $65 billion.

Investors often skip the stock in favour of its larger peers, but Bank of Montreal probably deserves more respect. The bank has a balanced revenue stream coming from personal banking, commercial banking, wealth management, and capital markets activities. In addition, Bank of Montreal has grown its U.S. presence over the past 40 year and now operates roughly 500 branches primarily located in the midwest states.

The firm is less exposed to the Canadian housing market on a relative basis than some of the other banks. In the event there is a steep economic downturn, Bank of Montreal is well capitalized to ride it out with a CET1 ratio of 11.4%.

The bank reported adjusted return on equity of 13.7% for fiscal 2019, so profitability remains strong.

Bank of Montreal has paid a dividend for 190 straight years. The current distribution provides a yield of 4%.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) is a leading player in the North American energy infrastructure sector with operations in Canada, the United States, and Mexico. The company owns 92,600 km of natural gas pipelines and more than 650 billion cubic feet of natural gas storage capacity.

The oil and liquids division operates 4,900 km of pipelines and is working toward a completion of the Keystone XL development that will connect Canadian producers with refineries in the United States.

The power generation group has facilities that are capable of producing 6,600 megawatts, which is about the needs consumed by six million homes.

TC Energy has raised its dividend annually since 2000 and is targeting yearly increases of 8-10% through 2021, supported by a capital program that includes $30 billion in secured growth projects.

Since 2000, the asset base has expanded from $26 billion to $100 billion.

TC Energy has the financial clout to make strategic acquisitions and organic growth across the existing asset base should continue for decades.

At the time of writing, the stock provides a yield of 4%.

The bottom line

Bank of Montreal and TC Energy are reliable dividend stocks and should be solid picks for a diversified RRSP portfolio.

The **TSX Index** is home to many top companies that pay growing dividends with attractive yields.

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2. NYSE:TRP (Tc Energy)
3. TSX:BMO (Bank Of Montreal)
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Date
2025/08/24
Date Created
2020/02/07
Author
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