RRSP Millionaire: 2 Cheap Stocks for a Self-Directed Pension Fund

Description

The idea of retiring with a million dollars in your RRSP account might seem like an unrealistic dream, but it is actually possible and can be achieved with relatively modest initial investments.

A popular strategy employed by Canadians who have built substantial retirement portfolios involves owning top dividend stocks and using the distributions to buy more shares. Over time, the compounding process kicks into gear and the investments can snowball into large savings for the golden years.

Let's take a look at two stocks that appear cheap right now and should be solid picks for a balanced RRSP portfolio.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) is a giant in the Canadian energy sector with a market capitalization of $60 billion. Most people know the company for its large oil sands operations, which remains the biggest part of the business, but Suncor also has offshore oil production and resources.

In addition, Suncor owns four refineries and operates roughly 1,500 Petro-Canada service stations.

The integrated structure of the business with assets all along the value chain gives Suncor an advantage over the pure-play oil and gas producers.

When market prices weaken, the company sees margin compression on the production side, but the other business units can actually benefit from the lower input costs.

Suncor's stock is still a risk when oil prices plunge, as we have seen in recent weeks. The share price is down from $45 to $39 in the past month. The price of WTI oil has pulled back from US$63 to US$50 per barrel.

While Suncor's Q4 2019 results include a write-down on the Fort Hills oil sands facility as a result of anticipated oil prices, the company remains in good shape. The board raised the dividend by 11% for 2020 and Suncor will repurchase up to $2 billion in stock over the next 12 months.

That's an indication that the company is comfortable with the cash flow outlook. The stock provided a dividend yield of 4.8%, so you get paid well to wait for the next rebound.

CIBC

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is often cited as the risky bet among the big Canadian banks due to its heavy exposure to the Canadian residential housing market.

CIBC's mortgage portfolio is larger than that of its peers on a relative basis and a meltdown in the housing market would likely cause some grief.

That said, interest rates are not expected to rise in the medium term. In fact, cuts in Canada and the United States are possible before the end of the year. Bond yields are also down. This scenario bodes well for existing homeowners who have to renew and for new buyers who are trying to enter the market.

As long as unemployment doesn't skyrocket, the housing market shouldn't see a material decline.

CIBC has a strong capital position and is capable of riding out some rough economic times. The bank remains very profitable and investments in the United States in recent years have added more balance to the revenue stream.

The stock trades at a cheap multiple right now and investors can pick up a 5.2% dividend yield.

The bottom line

Suncor and CIBC are strong companies with rising dividends and should be solid picks right now for a diversified RRSP portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:SU (Suncor Energy Inc.)

PARTNER-FEEDS

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

Date
2025/08/21
Date Created
2020/02/13
Author
aswalker