Last-Minute RRSP Contributions: 2 Cheap Dividend Stocks With Safe and Over 4% Yields

Description

Hurry! You have until March 2 to contribute to your Registered Retirement Savings Plan (RRSP) to deduct your 2019 taxable income and save taxes.

You may be scrambling for last-minute stock investment ideas. If so, consider cheap dividend stocks that offer safe income and long-term price appreciation boost from valuation expansion.

I believe both **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Manulife** (TSX:MFC)(NYSE:MFC) stocks offer safe dividends and wonderful upside.

Scotiabank stock

BNS stock is a core holding for many Canadian dividend portfolios. Not only does it add global diversification through its focus on Pacific Alliance countries of Chile, Peru, Mexico, and Colombia, but it also generates hefty profits from its core business in Canada.

Additionally, Scotiabank also provides U.S. exposure. Specifically, it serves large national and multinational corporations in the country.

The bank has paid dividends for more than 186 years — and investors expect it to increase its dividend later this month. Assuming a conservative quarterly dividend raise of two cents to $0.92 per share, the stock would offer a forward yield of 4.9%.

This would be a very attractive dividend yield compared to what's offered by other Canadian banks and the market. The dividend is well protected by the bank's earnings, as the payout ratio is about 50%.

To make things even better, the BNS stock price is a bargain. At under $75 per share at writing, it trades at about 10.4 times earnings, a discount of close to 15% from its normal long-term multiple.

It also trades at near an all-time low price to book — another indication that it’s dirt cheap!

BNS Price to Book Value data by YCharts

Manulife stock

Manulife reported its fourth-quarter and full-year 2019 results this week. And it finally stopped leaving shareholders hanging — after five quarters of paying out the same dividend, Manulife stock increased its dividend by 12% from $0.25 to $0.28 per share at writing.

This marked the start of its seven-year dividend growth streak. Though on a trailing 12-month basis, the dividend hike was 9.6%, it was still a solid high single-digit growth rate.

The board approved of the dividend increase due to “strong operating results and outlook for growth going forward,” as stated by CFO Phil Witherington in the press release.

For Q4 2019, Manulife reported core earnings of $1.5 billion, which was 10% higher than the comparable period a year ago. For 2019, it reported core earnings of $6 billion, up 5% year over year. The 2019 return on equity of 12.2% was also decent.

The new annualized payout is $1.12 per share. Manulife therefore yields 4.3% at about $26 per share. Although Manulife stock has appreciated 25% in the last 12 months, the global insurance stock trades at a price-to-earnings ratio of only 8.8, which is still super cheap for a long-term growth rate of 8-13%.

Investor takeaway

Neither of the international companies is going away. Moreover, Scotiabank and Manulife are dirt cheap with strong immediate income potential, offering initial dividend yields of about 4.9% and 4.3%, respectively.

However, it's fine if you haven't decided what to do with your RRSP contribution yet. Just make the contribution first, get your income tax deduction for 2019, and then decide what to do with it later.

Here are other cheap stock ideas you can consider.

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