2020 RRSP Deadline: 2 Top Dividend Stocks to Buy

Description

The RRSP deadline for Canadians to contribute to their RRSP and receive a tax credit for the 2019 tax year is fast approaching. Any Canadian looking to receive a tax credit must have contributed their funds to an RRSP by March 2.

Gaining a tax credit is a great way for Canadians to defer some taxes from the 2019 tax year to later in life, while also giving you the ability to grow your funds over time.

It's important that after you contribute the cash, you begin to invest the money rather than letting it sit in cash.

Leaving your contributions of cash not only takes away from receiving the tax credit, as you could have just paid your taxes, but will also weigh down your portfolio and lose value over time, as inflation erodes its purchasing power.

Instead, you should buy high-quality dividend growth stocks that you can buy and hold forever, growing and compounding your wealth until retirement.

High-yield dividend stocks can be tempting due to their juicy dividends, but if they aren't growing the dividend often, over the long run there will be better opportunities available.

Furthermore, dividend stocks with a high yield usually are priced that way by the market for a reason, indicating higher potential risks to the business' operations.

Two top dividend stocks to buy with your new RRSP contributions are **Rogers Communications Inc** (TSX:RCI.B)(NYSE:RCI) and **First Capital REIT** (TSX:FCR.UN).

Rogers

Rogers, one of the big three Telecoms, is a great dividend-paying company to buy today and hold for decades.

The communications industry has been growing for years, both in terms of dollars and importance to our economy.

Now, as we are on the cusp of one of the biggest technological advances ever— the introduction of 5G technology — these telecoms are positioned for major long-term growth, and Rogers leads the pack.

Its strong integration among its wireline, wireless and media business help drive cost efficiencies as well as organic growth.

Its past results show impressive earnings before interest taxes depreciation and amortization (EBITDA) growth, up more than 25% over the last five years, as well as a consistently high return on equity, with a five-year average of more than 24%.

The stock trades at an enterprise value to EBITDA of just 8.7 times and pays a dividend that yields just over 3%.

It’s not only a great company for its current operations, but when you factor in the potential of 5G, Rogers becomes a clear winner long term.

First Capital REIT

First Capital is one of the best real estate stocks on the market, capable of creating massive value for investors in addition to a strong and stable passive-income stream.

The company develops massive multi-use properties that cater to large consumer staple businesses, helping neighbourhoods to grow and businesses to find quality locations near their customers.

The company is forward-looking in its developments, finding new areas that will see high-population growth in the future such as its York Mills and Yonge Street properties in Toronto.

The properties First Capital has that are past development and already in operation give it a strong portfolio, with roughly 97% total portfolio occupancy.

It managed to earn funds from operations (FFO) per share of $1.23 in 2019, giving it an FFO payout ratio of just 70% on its dividend.

Its dividend is yielding 3.9% and the stock is trading below fair value at roughly $22 — just a 12.5 times price to earnings ratio.

Bottom line

The most important thing investors can do after contributing to an RRSP is to avoid leaving the funds sitting in cash for too long.

Instead, find some top dividend stocks through which to gain exposure, then watch your investments grow and your passive income add up.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:FCR.UN (First Capital Real Estate Investment Trust)
3. TSX:RCI.B (Rogers Communications Inc.)

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