# Market Crash: A Top Oversold Dividend Stock for RRSP Investors

### Description

The market crash is giving Canadians an opportunity to put RRSP money to work.



Many people dumped cash into their RRSP accounts just before the March 2, 2020 deadline. As most investors know, RRSP contributions can be used to reduce taxable income for the relevant year. When the funds are invested, any dividends or capital gains that accrue inside the RRSP are tax-free.

Investors only pay tax when they withdraw the funds. Ideally, that occurs two or three decades later, and when the investor is in a lower tax bracket.

Stock market crashes are scary. However, these tend to be the moments when Canadians can give their buy-and-hold RRSP portfolios a boost. In fact, the investments made during a crash can average down the cost of existing holdings and set the fund up for attractive long-term returns.

## Top RRSP stocks

The best companies to own tend to be industry leaders with strong track records of delivering steady dividend growth supported by rising revenue and earnings.

Let's take a look at one top Canadian stock that appears oversold today and might be an interesting pick for a self-directed RRSP portfolio.

## CN

**Canadian National Railway** (TSX:CNR)(NYSE:CNI) is somewhat unique in the North American rail sector. The company is the only player in the industry with tracks connecting ports on three coasts.

CN still has to compete with trucking firms and other railways on some routes, but the overall competitive moat is wide. Management invests billions of dollars every year to ensure the business runs efficiently. New locomotive, additional rail cars, and network upgrades are part of the capital program.

Despite the big spending on assets and projects, CN still has ample cash left over to buy back stocks and reward investors with regular dividend increases. In fact, the board raised the payout by a compound average annual rate of 16% in the past two decades.

## Risk

The coronavirus outbreak will impact CN's revenue if we see a steep global recession. Auto companies are shutting down manufacturing, stores and malls are closing, and demand for raw materials could plunge in the short term. International shipping will also be hit as a result of the global pandemic.

As a result, investors should prepare for a few weak quarterly results.

## Upside

Beyond the near-term turmoil, the stimulus measures being put in place by the Canadian and U.S. governments could create a wave of economic growth in the medium term. That should be very positive for CN's operations.



In addition, the drop in oil prices will help lower fuel costs and the rise in the American dollar against the loonie can boost results when earnings from the U.S. operations are converted to Canadian dollars.

CN has a strong balance sheet and can ride out the downturn. The stock price recently dipped below $100 per share from a February high around $127. A quick look at CN's stock chart suggests this might be a good time to add the shares to a buy-and-hold portfolio.

Long-term investors have done well with the company. A $15,000 investment in CN just 20 years ago would be worth about $300,000 today with the dividends reinvested.

## The bottom line

It takes courage to buy when the market is crashing, but the long-term rewards for RRSP investors can be significant.

CN appears oversold today and should be an attractive pick for a diversified RRSP fund. The **TSX Index** is home to many top dividend stocks that look very cheap right now.

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