



Retirement Savers: 3 Quality Dividend Stocks to Stash in Your RRSP!

Description

If you're saving for retirement, it pays to hold quality dividend stocks in your RRSP. When you're retired, you need steady income to supplement your CPP and OAS. Dividend stocks are ideal for this. While you can hold non-dividend stocks in an RRSP and sell periodically to generate income, bear markets force you to sell at unfavourable prices. Resilient dividend stocks therefore provide the most dependable income for retirees.

That said, not all dividend stocks are equal. Dividend income is not guaranteed, and underperforming companies may cut their dividends during recessions. That has the same effect as selling stock at an unfavourable price. So, to really retire in comfort, you need to fill your RRSP with dividend stocks whose payouts have stood the test of time.

The following are three to consider as you plan for retirement.

CN Railway

The Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is Canada's largest railway company, with a huge three-coast network that ships \$250 billion worth of goods a year. Like all railroads, CN's business is cyclical (i.e., it rises and falls with the broader economy). On the surface, that's not a good thing: Cyclical companies are more likely to cut their dividends in economic downturns.

However, CN's dividend has been unusually stable over the years. A quick review of the company's dividend history shows that it's not only paid, but *increased* its dividend every year since 2014. If we go further back, we can see some cuts, but the long-term trajectory for this dividend stock is solid.

Fortis

Fortis Inc ([TSX:FTS](#))([NYSE:FTS](#)) is one of Canada's most reliable long term dividend stocks. It has [raised its payout every single year for 46 consecutive years](#) and aims to increase it by 6% a year going forward.

This track record shouldn't be surprising. As a utility, Fortis enjoys unusually stable revenue in bull and bear markets. Its core service is a basic life necessity — one most people wouldn't cut out even in recessions. As a result, its revenue is very stable and is indeed borne out by history.

In 2008 and 2009, Fortis [managed to grow its earnings](#) despite the global recession then occurring. In both years, the company raised its dividend — a strong dividend stock by any standard.

TD Bank

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) is Canada's second largest bank. Its stock got beaten down in the COVID-19 market crash, resulting in a historically high yield. The company didn't cut its dividend, but didn't increase it either. As of this writing, the stock yielded 4.8%.

On the surface, TD Bank's first-quarter earnings were pretty bad. Earnings were down 52%, which gave the stock a payout ratio well over 90%. However, most of the earnings decline was from non-cash losses. Specifically, an increase in PCLs. PCLs are funds a bank expects to lose from loan delinquencies.

Until the defaults actually materialize, they are not cash losses. If the re-opening from COVID-19 happens swiftly, then fewer defaults will occur, and PCLs may be revised downward.

In that case, TD will not suffer the level of losses it's expecting, and TD's dividends will flow without a problem.

CATEGORY

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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CNR (Canadian National Railway Company)
5. TSX:FTS (Fortis Inc.)
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