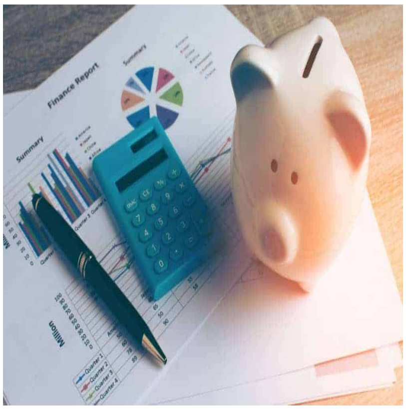

No Savings at 40? Open an RRSP and Buy These Dividend Stocks

Description

Retirement woes are beginning to rear their heads across Canada, as more and more Canadians come into the golden years. In October last year, I'd discussed some troubling information in a report from BDO Canada. The survey of just over 2,000 Canadians found that "an increasing number of Canadians in their 40s and 50s are financially stretched and unprepared for retirement and unexpected costs." Today, I want to explore a hypothetical for a Canadian who has no savings at 40. It is not the time to panic. Instead, let's open an RRSP and snatch up some top dividend stocks to get us started.

No savings? Why it's not too late to open an RRSP and buy dividend stocks

If you have no savings at 40, that does not mean that you will not be able to stash enough for a comfortable retirement. However, you should look to formulate a proper retirement plan and execute it to the best of your ability. That means putting away a set amount every month for your designated retirement account. In this instance, we're going to use an RRSP. We're also going to start with some conservative but high-quality dividend stocks that can generate stable and strong income in our portfolio.

Two energy income beasts to stash forever

Enbridge (TSX:ENB)(NYSE:ENB) is the first dividend stock I want to target in our hypothetical starter RRSP. This energy infrastructure giant has had to wrestle with regulators over the last few years. It was forced to open a new front in Michigan. The state's governor Gretchen Whitmer and the state's director of natural resources revoked Enbridge's easement for the operation of the twin Line 5 pipeline.

The company is adamant that Line 5 is safe and is gearing up for another legal battle. Enbridge has a strong legal track record, which is why it looks like investors have not overreacted to the news. This should not scare away RRSP investors from this top dividend stock.

Shares of Enbridge last had a favourable price-to-book (P/B) value of 1.3. It offers a quarterly dividend of $0.81 per share, which represents a monster 8.5% yield. This is a great source of income for RRSP investors.

TransAlta Renewables is another dividend stock that is perfect for an RRSP geared up for long-term gains. Renewable energy has significantly increased its share of power generation over the past decade. TransAlta and its peers are in a great position to continue growing based on current trends. Shares of TransAlta have climbed 21% year over year as of early morning trading on November 20. It offers a monthly dividend of $0.078 per share, which represents a strong 5.4% yield.

One more dividend stock to hold in your RRSP

Capital Power (TSX:CPX) is the last dividend stock I want to look at for an RRSP today. This company develops, acquires, owns, and operates power-generation facilities in North America. Its stock has dropped 3.8% in 2020. However, its shares are up 3.6% month over month.

In Q3 2020, Capital Power put together a solid quarter in the face of the pandemic. For the year-to-date period, adjusted EBITDA has climbed to $735 million compared to $677 million in the prior year. Meanwhile, revenues have increased to $1.42 billion over $1.28 billion for the same period in 2019.

Shares of this dividend stock last possesses an attractive P/E ratio of 12 and a P/B value of 1.1. Better yet, it last paid out a quarterly dividend of $0.512 per share. This represents a tasty 6.5% yield. Capital Power is worth stashing in your RRSP for the long haul.

CATEGORY

1. Investing

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