RRSP Investors: A Top Canadian Dividend Stock to Buy Now and Hold Forever

Description

RRSP contributions for the 2020 income year are due by March 1. This has self-directed investors trying to decide which stocks might be top RRSP picks in 2021.

Is another market crash coming in 2021?

The U.S. and Canadian stock markets are trading at record highs to start 2021. That's quite a recovery off the March crash. In fact, the **TSX Index** is up 60% since the 2020 low. Tech stocks led the rally for much of the recovery while energy and cannabis stocks joined the party in recent weeks.

That trend might continue through 2021. Cannabis stocks should benefit from the Democrat-controlled Congress. Oil producers should see margins and profits improve.

The recent rally, however, warrants some caution for RRSP investors in these sectors. A pullback is likely in early 2021, as the markets turn their attention back to COVID lockdowns. A major correction, or even another crash could occur if vaccines don't work on the new COVID variants.

Top stocks for RRSP investors in 2021

Given the elevated market conditions and ongoing economic risks, it makes sense to look for top dividend stocks that still appear cheap right now. Investments inside RRSP accounts tend to be long term, so there is value in owning stocks that offer attractive yields today and using the distributions to buy new shares.

When the market finally corrects, you benefit by taking advantage of any drop in the stock to add to the position at a favourable price.

Should BCE stock be on your 2021 RRSP buy list?

BCE (TSX:BCE)(NYSE:BCE) isn't as exciting as the tech darlings or the cannabis players. It also doesn't offer the same potential growth, but the market might be underestimating the opportunities.

BCE continues to invest in its wireline and wireless networks to ensure customers have the broadband they desire. The networks showed their quality and reliability over the past year, as millions of people worked and studied from home. Projects like BCE's fibre-to-the-premises initiative help protect its wide competitive moat while giving customers the level of service they need to stream movies and conduct online meetings.

On the growth front, the arrival of 5G networks provides BCE with new revenue opportunities. Low interest rates mean BCE can borrow at very cheap costs to fund network expansion. In addition, the nature of the Canadian communications market enables BCE and its peers to raise prices when they need extra cash. This might irk consumers, but it is a plus for investors.

BCE's stock dipped in 2020 due the challenges faced by the media group. Sports teams played in front of empty arenas and advertising dropped across the TV and radio assets. The first half of 2021 might see ongoing pain for the media division, but the situation should start to normalize in the second half of the year.

In the meantime, investors have a chance to buy BCE for $55 compared to the 12-month high of $65 per share. At the current price, you get a solid 6% dividend yield. That's a decent annual return, even if the stock doesn't move higher. If we get another market crash, BCE's share price should hold up well.

With interest rates set to remain depressed for some time, it wouldn't be a surprise to see BCE stock drift back to $65 by the middle of 2022. If you want a low-risk, high-return pick for a self-directed RRSP, this stock deserves to be on your radar.

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