



RRSP Alert: 3 Great Canadian Dividend Stocks With Huge Upside Potential

Description

Canadian investors with self-directed RRSP accounts are searching for the best stocks to add to their retirement portfolios in 2021 before the RRSP contribution deadline on March 1.

Why Fortis stock deserves to be on your RRSP buy list

Fortis ([TSX:FTS](#))([NYSE:FTS](#)) is a utility with more than \$55 billion in assets located across Canada, the United States and the Caribbean.

Fortis is a great stock to buy when you want a reliable pick during uncertain market conditions. Revenue comes from regulated businesses. This means cash flow should be predictable and reliable.

The board raised the dividend by 5.8% in 2020 and intends to boost the payout by an average of 6% per year through 2025. That's reassuring guidance for investors who have a buy-and-hold strategy and want steady returns.

The stock appears cheap below \$51 per share. Fortis traded as high as \$59 before the pandemic. The dividend provides a solid 4% yield with great growth on the horizon.

Long-term RRSP investors have done well with Fortis. A \$10,000 investment in the stock 25 years ago would be worth \$200,000 today with the dividends reinvested.

Is Enbridge stock a good buy today for RRSP investors?

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a giant in the North American energy infrastructure sector. The company is best known for its oil pipelines, which move 25% of Canadian and U.S. oil. Enbridge also has extensive natural gas transmission, gas storage, and gas utility assets. The renewable energy business rounds out the portfolio.

Enbridge's oil pipelines typically run near capacity. Once fuel demand normalizes after the pandemic,

the situation should return to 2019 levels. In the meantime, the natural gas and renewable energy assets continue to perform well. In fact, Enbridge was comfortable enough with cash flow to raise the dividend in late 2020. Investors should see the payout increase by 5-7% per year in line with anticipated growth in distributable cash flow.

The stock looks [cheap](#) near \$42 per share and provides a 7.9% dividend yield. RRSP investors can use the generous payout to buy new shares while the stock remains out of favour. The strategy takes advantage of the power of compounding to build a retirement portfolio.

In the next couple of years, it wouldn't be a surprise to see Enbridge trade back at the 12-month high around \$57.

Why Barrick Gold is now a top dividend stock?

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) isn't the first stock that comes to mind when RRSP investors think about dividends, but the company is a different beast today compared to a decade ago.

Barrick went through a difficult restructuring that saw the company slim down its headcount and shed billions of dollars worth of assets to reduced debt. The company then merged with Randgold two years ago to create a gold mining giant with five of the top 10 mines on the planet.

Barrick Gold's focus is now on high-return assets and the generation of free cash flow. Barrick's board [raised the dividend](#) by 12.5% in November. This was the third increase to the dividend in 12 months, and the payout has tripled since the announcement of the Randgold merger.

The stock appears oversold right now near \$30. Gold could move much higher in the next few years, but even if it remains near US\$1,900, Barrick Gold should generate significant free cash flow.

The bottom line for RRSP investors

The broader stock market looks overbought right now, so RRSP investor need to be careful. However, Fortis, Enbridge and Barrick Gold all appear cheap at current prices. These companies raised their dividends in 2020, and investors should see steady payout growth in the coming years.

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