2 Top Stocks for RRSP Investors in a Low-Rate World

Description

The era of low interest rates appears set to continue for a few years. As a result, RRSP investors should consider stocks that can outperform in this environment when determining their 2021 picks.

Why Brookfield Asset Management deserves to be in your RRSP

Brookfield Asset Management (TSX:BAM.A)(NYSE:BAM) is a major player in the global alternative asset management sector with about US$575 billion of assets under management. Only a handful of companies have the scale, expertise, and resources to do the types of deals Brookfield Asset Management seeks for its portfolios.

In a low-rate world, prices on physical assets that generate cash flow tend to increase due to the attractiveness of the yields on the investments. Brookfield Asset Management makes investments in property, infrastructure, and renewable energy.

Last month, Brookfield Asset Management announced plans to take its property subsidiary private. The group owns hotels, office buildings, student housing, and other property assets that took a beating during the pandemic but should rebound in the second half of 2021.

Brookfield Asset Management's infrastructure group owns and operates utilities, transport, energy and data infrastructure assets. The renewable power division owns and operates hydro-electric, wind, and solar assets with more than 19,000 megawatts of generating capacity.

The stock is a great way for buy-and-hold RRSP investors to get exposure to these types of alternative income-generating assets around the globe.

Why BCE is an attractive stock today

BCE (TSX:BCE)(NYSE:BCE) just reported solid results for Q4 2020, despite the challenging business environment.

It was a tough year for the company's media assets, which include a television network, radio stations, specialty channels, and pro sports teams. On the communications side, wireless roaming revenue dropped due to travel restrictions. As COVID-19 vaccines become available to the wider population, the situation should normalize in these groups.

BCE intends to spend an additional $1 billion on capital projects over the next two years. The company typically invests about $4 billion annually on network expansion and upgrades. Record-low borrowing costs will help BCE finance the 5G and fibre optic investments.

BCE generates attractive free cash flow and has the ability to increase rates on its services. The board just hiked the dividend by 5% for 2021. Annual distribution gains will likely continue in the 4-5% range. RRSP investors who buy now can get the stock at a reasonable price and earn a 6% dividend yield.

GICs offer less than 1% interest today. As long as fixed-income yields remain low, BCE stock should continue to attract yield-seeking investors that want above-average returns without taking on too much risk.

BCE won't shoot the lights out on growth, but the stock should be a good buy right now in a broader market that appears overbought. In the event we see another major market correction, BCE should hold up well and investors know the distribution is safe.

The bottom line on RRSP investing in 2021

Low rates look set to continue for the next few years. This could attract a shift of funds from stay-at-home stocks to value plays that benefit from a low-rate environment. As such, Brookfield Asset Management and BCE deserve to be on the RRSP radar for self-directed investors this year.

CATEGORY

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