



RRSP Deadline: 2 Cheap Stocks to Buy in 2021

Description

The RRSP deadline is March 1, 2021. That's the last day Canadians can make RRSP contributions to reduce their 2020 taxable income.

Best stocks for your RRSP as the deadline approaches

Once the cash goes into the RRSP, investors need to decide how to put it to work. GICs are safe, but they currently offer rates that don't even keep up with inflation. Bond yields are also very low. That should start to reverse in 2021, but there is a risk that the next few years could see bond prices plunge.

As a result, stocks might be the best investments right now for an RRSP. Investors need to be careful, as the overall market appears overbought. However, there are still some good deals in the **TSX Index** that offer strong potential for capital gains.

Let's take a look at **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) to see why they look attractive right now for buy-and-hold RRSP portfolios.

Why TC Energy deserves to be a top RRSP pick

TC Energy trades near \$56 per share at the time of writing compared to \$75 before the pandemic. Investors who buy now can pick up a solid 6% dividend yield. The board just raised the quarterly dividend for 2021 by 7.8% to \$0.87 per share.

TC Energy owns and operates \$100 billion in assets across the energy infrastructure spectrum. These include natural gas transmission pipelines and storage, oil pipelines, and power generation facilities.

Growth comes from acquisitions and development projects. TC Energy has a \$20 billion secured capital program through 2024 and is advancing \$8 billion in projects under development.

Roughly 95% of comparable EBITDA comes from regulated assets or long-term contracts. That's

important for RRSP investor who want to own stocks with reliable cash flow to support steady [dividend](#) growth.

TC Energy reported solid [Q4 2020 results](#). Net income of \$1.1 billion was in line with the same period last year. Full 2020 net income was \$4.5 billion compared to \$4 billion in 2019.

Why Suncor stock looks cheap right now

WTI oil trades above US\$60 per barrel. Heading into 2021, most analysts expected WTI to average US\$50 for the year, but the surge in recent weeks has pundits revisiting their forecasts. Calls for WTI to run above US\$70 are now emerging, and that bodes well for Suncor and its investors.

An oil demand recovery is expected this year once widespread vaccinations in Europe the United States enable a reopening of the economy and people start heading back to their offices. Jet fuel demand should rebound later in the year and through 2022, as [airlines](#) ramp up capacity.

At the same time, OPEC+ continues to maintain supply cuts. Saudi Arabia shocked the market when it announced a unilateral decision to reduce output by one million barrels per day for February and March. The deep freeze in Texas is pushing oil prices even higher as major U.S. production is now locked in and could take weeks to get back on track.

Oil trades above its pre-pandemic price. Suncor stock, however, hasn't kept pace. The last time WTI sat above US\$60 per barrel, Suncor traded for \$44 per share. Today the stock is close to \$25.

A rebound in fuel demand will help the refining and retail divisions. The longer oil holds or extends its gains, the better the margins for the upstream operations. Suncor generates good cash flow at current oil prices and the market might not fully appreciate how quickly the situation can improve.

Management intends to reduce debt and buy back shares this year. The dividend cut that occurred in 2020 could begin to reverse in 2022. Warren Buffett's company bought Suncor stock in 2020, so the Oracle of Omaha is positive on the outlook for the energy sector.

The bottom line for RRSP deadline investors

TC Energy and Suncor are leaders in their respective industries. The stocks appear cheap right now for a buy-and-hold RRSP portfolio and should deliver strong gains in 2021 and the coming years.

CATEGORY

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2. NYSE:TRP (Tc Energy)
3. TSX:SU (Suncor Energy Inc.)
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