RRSP Investors: 2 Top TSX Stocks I’d Buy Now and Hold for 20 Years

Description

The RRSP deadline is March 1, 2021, for the 2020 income year. Investors with some RRSP contribution space are wondering which top **TSX** stocks might be the best buys right now for a retirement portfolio.

Why Canadian National Railway stock deserves to be a top RRSP investment

Canadian National Railway (TSX:CNR)(NYSE:CNI) is one of those great stocks investors can buy and simply forget for decades.

The company enjoys a wide competitive moat with a unique network that connects three coasts in Canada and the United States. New rail lines won’t be built along existing routes and transportation options for raw materials and finished goods are limited. CN has to compete with other rail operators on some routes and trucking companies might vie for business in certain situations, but overall, CN and its peers have a pretty good situation going, and that isn’t going to change.

Despite the comfortable market position, CN still invests heavily to ensure it can meet rising demand for its services. The company adds new locomotives and rail cars as needed. CN also invests in new technology, network upgrades, and intermodal hubs where cargo switches from the rail operator to trucks that take the goods to the final destinations.

CN is a profit machine. In fact, free cash flow hit a record $3.2 billion in 2020. In the Q4 2020 report, Management intends to invest $3 billion during the year and still expects free cash flow to be in line with the 2020 amount.

Investors just received a 7% dividend increase. That’s a bit lower than the long-term average but a nice raise nonetheless. The board also announced plans to buy back up to 14 million shares through the end of January 2022.

Investors who'd bought CN shares 20 years ago have enjoyed great returns. A $5,000 investment in CN at that time would be worth about $100,000 today with the dividends reinvested.

The stock is down from the 2020 high, giving investors a chance pick up CN at a reasonable price. Buying dips has historically proven to be a solid long-term bet.

Pembina Pipeline stock appears cheap and pays a great dividend

Pembina Pipeline (TSX:PPL)(NYSE:PBA) has a 65-year history of providing various midstream services to the Canadian oil and gas industry. Through strategic acquisitions and organic projects Pembina Pipeline has become a key player with an integrated portfolio of assets all along the hydrocarbon value chain.

Management moved quickly in the early part of the pandemic to raise capital and defer some investments. Energy markets are now in recovery mode, and Pembina Pipeline stands to benefit. In the 2021 guidance released in December, Pembina Pipeline said it intends to restart two projects that it put on hold last year. The 2021 capital program is fully funded through internal cash flow after dividends. In addition, the board plans to buy back up to 5% of the outstanding common stock through a new normal course issuer bid.

Pembina Pipeline pays an annualized dividend of $2.52 per share. That's good for a 7% dividend yield at the current stock price near $35. Even if the share price remains at this level, investors get a great return to grow the value of their RRSP portfolio.

That said, the stock appears cheap right now. It wouldn't be a surprise to see Pembina Pipeline rebound to the 2020 high above $50 over the next two years.

The bottom line on RRSP investing

The broader stock market looks a bit expensive right now, but CN and Pembina Pipeline appear attractively priced and should be solid picks for a buy-and-hold RRSP portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:PPL (Pembina Pipeline Corporation)

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