



RRSP Investors: 2 Canadian Stocks to Buy Now and Hold Forever

Description

The Canada Revenue Agency (CRA) is giving you one last chance to reduce your 2020 tax bill. You can contribute 18% of your income or \$27,230, whichever is lower, to your Registered Retirement Savings Plan (RRSP) by [March 1](#). When you do your 2020 taxes in March, you can deduct your RRSP contributions between March 2, 2020, and March 1, 2021, from your taxable income. Use your RRSP to invest in stocks that can give you a strong return for a lifetime.

The RRSP investment strategy

The RRSP is an account to plan for your long-term goals like retirement, education, or house purchase. If you [withdraw](#) under the RRSP's Home Buyers' Plan or the Lifelong Learning Plan, the CRA will not tax this amount. For any other withdrawals before age 71, a withholding tax of 10-30% applies. Moreover, they are added to your taxable income.

The ideal stocks for your RRSP account are the ones that can give you good returns in the long term. When building an RRSP portfolio, think like Warren Buffett. Look at the company's business, its potential to make money, and the strength of its balance sheet to sustain the crisis. Then ask yourself, would you like to hold this stock for the next 10 years?

Indeed, past performance does not guarantee future growth, but history shows the sustainability of a stock. When you are considering a long-term stock, you want to see the management's ability to grow the company efficiently while protecting investors' interests.

Here are two stocks in which you can invest your RRSP contribution.

Enbridge stock

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) has a rich history of operating profitably. It has passed the test of time, handled various crises, and come out of it profitable. The company has kept shareholders' interests first. Hence, it increased its dividend per share by 3% in 2021 despite the pandemic. With

this, it maintained its 25-year history of paying incremental dividends.

20 years down the line, the energy market will undergo a shift from oil to cleaner energy like wind and solar. During this shift, natural gas will play a key role as it is a middle ground between oil and wind. Even Buffett realized this opportunity and therefore made an US\$8 billion purchase of **Dominion Energy's** natural gas pipeline business.

Over the years, Enbridge has diversified its pipeline infrastructure from oil to natural gas. At present, it earns 40% of its revenue from natural gas. It is also expanding its wind and solar energy infrastructure to make the most from the energy shift. Enbridge stock is still trading at a 25% discount from its pre-pandemic level, creating an opportunity to lock-in a 7.56% dividend yield.

The company is well placed to operate profitably for the next 20 years and pay incremental dividends at an average annual rate of 5-8%, taking a conservative estimate.

Constellation Software stock

A balanced portfolio also needs growth stocks that can help you outperform the market. But the problem with growth stocks is their high volatility and the need for constant monitoring. But there is one software stock that has grown steadily over the years.

Constellation Software ([TSX:CSU](#)) is like a private equity firm of mission-critical software companies that serve niche markets. The company doesn't rely on organic growth but acquisitions to boost revenue and cash flow. Over the years, it improved its adjusted EBITDA margin from 20% in 2009 to 25% in 2019. During this period, the stock converted a \$10,000 investment to \$427,500. The diversified software portfolio it has accumulated over the years makes its profits resilient.

But Constellation's growth has slowed as there are not many attractive small companies, and most software companies have moved to the cloud. The business environment is also becoming challenging. Hence, the company is also shifting to slightly larger acquisitions. The management's efficiency to close acquisitions and generate higher returns from them will keep the stock growing by the double digits in the coming 10 years, even if the company can replicate 1/10th of the 2009-2019 growth, your money can grow fourfold.

The above two stocks can bring a balanced RRSP portfolio of risk and return.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Personal Finance
5. Tech Stocks

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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